Canaccord Financial Inc. Reports Second Quarter Fiscal 2013 Results

Generates net income of $5.9 million during the quarter, excluding significant items(1)

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

TORONTO, November 7, 2012 – In the second quarter of fiscal 2013, the quarter ended September 30, 2012, Canaccord Financial Inc. (Canaccord, the Company, TSX: CF, LSE: CF.) generated $186.6 million in revenue. During the quarter, the Company implemented several cost-reduction initiatives aimed at improving the performance of certain business units. Excluding restructuring and other significant items(1) (a non-IFRS measure), the Company recorded net income of $5.9 million, or $0.03 per diluted common share. Including these expenses, the Company recorded a net loss of $14.8 million, or $0.19 per common share.

“We are pleased with the momentum we’re building in the UK, the US and Asia, where the impacts of our acquisition of Collins Stewart Hawkpoint are beginning to demonstrate the power of our expanded platform,” stated Paul Reynolds, President and CEO of Canaccord Financial Inc. “We’re continuing with our efforts to foster further cross-border collaboration across our platform to ensure our clients and shareholders receive the full value of our global offering.”

Mr. Reynolds continued: “Our fiscal second quarter was highlighted by key leadership appointments and activities aimed at strengthening the performance of certain divisions. In particular, we expect these activities will allow our wealth management businesses to operate more competitively within this dynamic economic environment.”

Second Quarter of Fiscal 2013 vs. First Quarter of Fiscal 2013

- Revenue of $186.6 million, up 15% or $24.1 million from $162.5 million
- Excluding significant items, expenses of $179.7 million, down 1% from $181.7 million(1)
- Expenses of $204.9 million, up 10% or $17.9 million from $187.0 million
- Excluding significant items, net income of $5.9 million compared to a net loss of $16.3 million(1)
- Net loss of $14.8 million compared to a net loss of $20.6 million
- Excluding significant items, diluted earnings per common share (EPS) of $0.03 compared to a loss per common share of $0.20 in the first quarter of fiscal 2013(1)
- Loss per common share of $0.19 compared to a loss per common share of $0.24 in the first quarter of fiscal 2013
Second Quarter of Fiscal 2013 vs. Second Quarter of Fiscal 2012

- Revenue of $186.6 million, up 56% or $67.1 million from $119.5 million
- Excluding significant items, expenses of $179.7 million, up 47% from $122.5 million\(^{(1)}\)
- Expenses of $204.9 million, up 62% or $78.5 million from $126.4 million
- Excluding significant items, net income of $5.9 million compared to a net loss of $1.7 million\(^{(1)}\)
- Net loss of $14.8 million compared to a net loss of $5.3 million
- Excluding significant items, diluted EPS of $0.03 compared to a loss per common share of $0.05\(^{(1)}\)
- Loss per common share of $0.19 compared to a loss per common share of $0.09

First Half of Fiscal 2013 vs. First Half of Fiscal 2012
(Six Months Ended September 30, 2012 vs. Six Months Ended September 30, 2011)

- Revenue of $349.1 million, up 25% or $69.8 million from $279.3 million
- Excluding significant items, expenses of $361.4 million, up 36% from $265.6 million\(^{(1)}\)
- Expenses of $392.0 million, up 45% or $121.6 million from $270.4 million
- Excluding significant items, net loss of $10.4 million compared to net income of $12.5 million\(^{(1)}\)
- Net loss of $35.5 million compared to net income of $7.9 million
- Excluding significant items, loss per common share of $0.17 compared to diluted EPS of $0.13\(^{(1)}\)
- Loss per common share of $0.43 compared to diluted EPS of $0.07

Financial Condition at End of Second Quarter 2013 vs. Second Quarter 2012

- Cash and cash equivalents balance of $575.4 million, down $115.7 million from $691.1 million
- Working capital of $386.0 million, down $115.4 million from $501.4 million
- Total shareholders’ equity of $1.0 billion, up $170.3 million from $863.5 million
- Book value per diluted common share for the period end was $7.61, down 13% or $1.14 from $8.75\(^{(1)}\)
- On November 7, 2012, the Board of Directors approved a quarterly dividend of $0.05 per common share payable on December 10, 2012 with a record date of November 30, 2012
- On November 7, 2012, the Board of Directors also approved a cash dividend of $0.34375 per Series A Preferred Share payable on December 31, 2012 with a record date of December 14, 2012, and a cash dividend of $0.359375 per Series C Preferred Share payable on December 31, 2012 to Series C Preferred shareholders of record as at December 14, 2012

Summary of Operations

CORPORATE

- On July 12, 2012, Canaccord Financial Inc. held its 2012 Annual General Meeting of shareholders, where all motions were duly passed
- On July 13, 2012, Canaccord Financial Inc. graduated its UK public listing from AIM to the LSE main market
- On August 13, 2012, Canaccord Financial Inc. renewed its Normal Course Issuer Bid (NCIB)/share buyback programme, which provides the Company with the ability to purchase, at its discretion, up to 3,000,000 of its common shares through the facilities of the TSX for cancellation
- On September 4, 2012, the Company announced that Alexis de Rosnay joined the firm as CEO of Canaccord’s UK and European operations
- On September 16, 2012, Canaccord appointed Peter O’Malley as CEO of Canaccord Genuity Asia
- On September 24, 2012, the Company announced the expansion of its UK wealth management business through the acquisition of Eden Financial Ltd.'s wealth management business
- On September 24, 2012, Canaccord announced a new strategy to streamline and refocus its Canadian wealth management operations in larger Canadian centres
CAPITAL MARKETS

- Canaccord Genuity led or co-led 28 transactions globally, raising total proceeds of $1.1 billion during fiscal Q2/13.
- Canaccord Genuity participated in 74 transactions globally, raising total proceeds of $7.2 billion during fiscal Q2/13.
- During fiscal Q2/13, Canaccord Genuity led or co-led the following transactions:
  - £118.0 million for Eland Oil & Gas plc on AIM
  - £100.0 million for Raglan Finance plc through a privately placed wholesale bond issue
  - £80.0 million for Intermediate Capital Group plc through a new retail corporate bond issue
  - US$75.0 million for Emerald Oil, Inc. on the NYSE
  - £65.0 million for CLS Holdings plc through a new retail corporate bond issue
  - C$57.5 million for Pure Multi-Family REIT LP on the TSX Venture
  - £38.4 million for Kenmare Resources plc on the LSE
  - C$34.7 million for Pure Industrial Real Estate Trust on the TSX Venture
  - C$34.5 million for Sprott Power Corp. on the TSX
  - C$34.5 million for Partners Real Estate Investment Trust on the TSX
  - US$38.0 million for Anthera Pharmaceuticals, Inc. on the NASDAQ
  - AUS$30.0 million for Neon Energy Limited on the ASX
  - S$30.0 million for JB Foods Limited on the SGX
  - £23.0 million placing for Monitise plc (private placement)
  - US$20.1 million for Sunshine Heart, Inc. on the NASDAQ
  - US$17.4 million for Solta Medical, Inc. on the NASDAQ
- In addition to the transactions above, Canaccord Genuity was lead manager in the $850 million equity underwriting facility for Heritage Oil plc.
- In Canada, Canaccord Genuity raised $147.0 million for provincial bond issuances and $13.9 million for corporate bond issuances during fiscal Q2/13.
- Canaccord Genuity generated advisory revenues of $28.6 million during fiscal Q2/13, an increase of 32% compared to the same quarter last year.
- During fiscal Q2/13, Canaccord advised on the following M&A and advisory transactions:
  - Extorre Gold Mines Limited on its acquisition by Yamana Gold Inc.
  - SkyPower Limited, on its sale of certain assets to Canadian Solar Inc.
  - Pamplona Capital Management LLP on the restructuring process of WEPA SE
  - Azulis Capital on the disposal of Cleor to 21 Centrale Partners
  - Florac on its acquisition of a minority stake in TCR
  - Irish Life Limited on its investment in GloHealth Financial Services Ltd.
  - Financial advisor to the shareholders of Windsor Limited on the merger of Windsor with Hyperion Insurance Group
  - Financial advisor to Kaap Finances on the disposal of TATEX to Fedex
  - Financial advisor to Invista Real Estate Investment Management Holdings plc on the £40 million recommended cash offer from Palmer Capital Investors (India) Limited

CANACCORD WEALTH MANAGEMENT (GLOBAL)

- Globally, Canaccord Wealth Management generated $57.6 million in revenue.
- Assets under administration in Canada, and assets under management in the UK and Europe, and Australia, were $26.8 billion at the end of Q2/13.
CANACCORD WEALTH MANAGEMENT (NORTH AMERICA AND AUSTRALIA)

- Canaccord Wealth Management generated $37.0 million in revenue and, after intersegment allocations, recorded a net loss of $20.5 million before taxes in Q2/13. Restructuring charges associated with the reduction of the Canadian wealth management platform totalling $13.6 million were recorded in the quarter. Excluding these significant items, the division generated a net loss of $6.9 million.
- Assets under administration in Canada were $13.3 billion as at September 30, 2012, up 2% from $13.1 billion at the end of the previous quarter and down 9% from $14.6 billion at the end of fiscal Q2/12\(^{(1)}\)
- Assets under management in Canada (discretionary) were $784 million as at September 30, 2012, up 11% from $709 million at the end of the previous quarter and up 37% from $574 million at the end of fiscal Q2/12\(^{(1)}\)
- As at September 30, 2012, Canaccord Wealth Management had 242 Advisory Teams\(^{(3)}\), a decrease of 29 Advisory Teams from September 30, 2011 and a decrease of 37 from June 30, 2012.
- During the second quarter of Canaccord’s fiscal year, Canaccord announced a reduction to its Canadian wealth management platform. As of September 30, 2012, 32 wealth management offices were operating in Canada. 16 of these locations have now closed or are scheduled to close:
  - Four corporately owned branches: Victoria, Abbotsford, White Rock, and London (ON)
  - 12 locations operating on the Independent Wealth Management (IWM) platform: Barrie, Brampton, Campbell River, Cobourg, Nanaimo\(^{(4)}\), one office in Ottawa\(^{(4)}\), one office in Prince George, Québec City, Saskatoon, Summerland, Thunder Bay and Vernon\(^{(4)}\)

CANACCORD WEALTH MANAGEMENT (UK AND EUROPE)

- Collins Stewart Wealth Management generated $20.7 million in revenue and, after intersegment allocations, recorded net income of $0.3 million before taxes in Q2/13.
- This division recognized $0.9 million of acquisition costs related to the purchase of Eden Financial Ltd.’s wealth management business and $1.6 million of amortization of intangible assets acquired in connection with the acquisition of CSHP. Excluding these significant items, Collins Stewart Wealth Management recorded net income after intersegment allocations and before income taxes of $2.8 million in Q2/13.
- Assets under management (discretionary and non-discretionary) were $13.1 billion (£8.3 billion).

SUBSEQUENT EVENTS

- On October 1, 2012, Canaccord appointed Philip Evershed as Global Head of Investment Banking.
- On October 25, 2012, Canaccord Genuity Inc. (Canaccord’s US capital markets division) held a charity trading day, where designated commissions from equity, electronic, and agency options trades on that day were donated to Youth, I.N.C. In total, Canaccord’s US team generated approximately US$950,000 for at-risk children through the seventh annual Trading Day for Kids.
- On November 6, 2012, Canaccord appointed Steve Buell as Global Head of Research.
- On November 7, 2012, Canaccord welcomed Dipesh Shah as a director on the Board of Canaccord Financial Inc.

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, and acquisition-related expense items, which include costs recognized in relation to both prospective and completed acquisitions. Management believes that these non-IFRS measures will allow for a better evaluation of the operating performance of Canaccord’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 Canaccord’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 Canaccord’s business; thus, these effects should not be ignored in evaluating and analyzing Canaccord’s financial results. Therefore, management believes that Canaccord’s IFRS measures of financial performance and the respective non-IFRS measures should be considered together.

\(^{(1)}\) See Non-IFRS Measures above.
\(^{(2)}\) Source: Transactions over $1.5 million. Internally sourced information.
\(^{(3)}\) 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.
\(^{(4)}\) These locations were closed prior to November 7, 2012.
**SELECTED FINANCIAL INFORMATION EXCLUDING SIGNIFICANT ITEMS**

<table>
<thead>
<tr>
<th>(C$ thousands, except % amounts)</th>
<th>Three months ended September 30</th>
<th>Quarter-over-quarter change</th>
<th>Six months ended September 30</th>
<th>YTD-over-YTD change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
<td>2011</td>
<td></td>
<td>2012</td>
</tr>
<tr>
<td><strong>Total revenue per IFRS</strong></td>
<td>$ 186,599</td>
<td>$ 119,500</td>
<td>56.1%</td>
<td>$ 349,148</td>
</tr>
<tr>
<td><strong>Total expenses per IFRS</strong></td>
<td>204,910</td>
<td>126,396</td>
<td>62.1%</td>
<td>391,958</td>
</tr>
</tbody>
</table>

**Significant items recorded in Canaccord Genuity**

- **Restructuring costs**
  - 2012: $4,395
  - 2011: —
  - Quarter-over-quarter change: n.m.

- **Acquisition-related costs**
  - 2012: $388
  - 2011: 1,443
  - Quarter-over-quarter change: (73.1)%

- **Amortization of intangible assets**
  - 2012: $3,436
  - 2011: 930
  - Quarter-over-quarter change: 269.5%

**Significant items recorded in Canaccord Wealth Management**

- **Restructuring costs**
  - 2012: $13,567
  - 2011: —
  - Quarter-over-quarter change: n.m.

- **Acquisition-related costs**
  - 2012: 900
  - 2011: —
  - Quarter-over-quarter change: n.m.

- **Amortization of intangible assets**
  - 2012: $1,614
  - 2011: —
  - Quarter-over-quarter change: n.m.

**Significant items recorded in Corporate and Other**

- **Restructuring costs**
  - 2012: 900
  - 2011: —
  - Quarter-over-quarter change: n.m.

- **Acquisition-related costs**
  - 2012: —
  - 2011: 1,513
  - Quarter-over-quarter change: (100.0)%

**Total significant items**

- 2012: $25,200
- 2011: 3,886
- Quarter-over-quarter change: n.m.
- 2012: 30,571
- 2011: 4,816
- Quarter-over-quarter change: n.m.

**Total expenses excluding significant items**

- 2012: $179,710
- 2011: 122,510
- Quarter-over-quarter change: 46.7%
- 2012: $361,387
- 2011: 265,614
- Quarter-over-quarter change: 36.1%

**Net income (loss) before tax – adjusted**

- 2012: $6,889
- 2011: $(3,010)
- Quarter-over-quarter change: n.m.
- 2012: $(12,239)
- 2011: $13,669
- Quarter-over-quarter change: (189.5)%

**Income taxes (recovery) – adjusted**

- 2012: 982
- 2011: (1,345)
- Quarter-over-quarter change: (173.0)%
- 2012: (1,851)
- 2011: 1,209
- Quarter-over-quarter change: (253.1)%

**Net income (loss) – adjusted**

- 2012: $5,907
- 2011: $(1,665)
- Quarter-over-quarter change: n.m.
- 2012: $(10,388)
- 2011: $12,460
- Quarter-over-quarter change: (183.4)%

**Earnings (loss) per common share – basic, adjusted**

- 2012: $0.03
- 2011: $(0.05)
- Quarter-over-quarter change: (160.0)%
- 2012: $(0.17)
- 2011: $0.14
- Quarter-over-quarter change: (221.4)%

**Earnings (loss) per common share – diluted, adjusted**

- 2012: $0.03
- 2011: $(0.05)
- Quarter-over-quarter change: (160.0)%
- 2012: $(0.17)
- 2011: $0.13
- Quarter-over-quarter change: (230.8)%

n.m.: not meaningful.
Fellow Shareholders:

Over the past three years, we have been focused on constructing a strong, comprehensive platform to cater to the increasingly global needs and perspectives of our corporate, institutional and wealth management clients. Our fiscal second quarter saw us advance this strategy with the announcement of a number of key leadership appointments that drew from our deep bench strength, as well as from world-class expertise outside our firm. In addition, we have undertaken a number of cost containment initiatives that, while difficult, should allow us to improve margins in a very challenging macro operating environment.

In September, we were very pleased to welcome Alexis de Rosnay as CEO of our UK and European operations and Peter O’Malley as CEO of Canaccord Genuity Asia. These two well-regarded executives made the decision to join Canaccord as a result of the momentum we’re building in these geographies, and we expect they will be able to draw on their considerable global expertise on behalf of our clients.

To lead the efforts in advancing the global integration of our capital markets team, we recently appointed Phil Evershed as Global Head of Investment Banking, and Steve Buell as Global Head of Research. Their priorities will be focused on enhancing our cross-border collaboration and standardizing global best practices to enhance the value of the services we provide our clients.

The second quarter also saw Canaccord Wealth Management address the losses related to a number of small, consistently unprofitable corporate and independent branches in Canada. In conjunction with the decision to reduce our branch complement, we also reduced our back-office salary costs in Canada by approximately 20% through staffing reductions. We expect to continue to reduce our fixed costs in Canada during the balance of this fiscal year as we seek to better align our cost structure with our market opportunities.

In total, there were $25.2 million of significant expense items(1) that were not attributable to normal operating activities during the quarter. We are taking these charges now, so that our businesses are better positioned to generate stronger future performance.

Financial Performance

During the second quarter of Canaccord’s fiscal year, the Company generated $186.6 million of revenue, an increase of 15% from the previous quarter and 56% from the same quarter last year. Much of this increase can be attributed to the expanded Canaccord operating platform. On an operating basis, excluding significant expense items related to activities taken in the quarter, Canaccord generated net income of $5.9 million, or $0.03 per diluted common share. Including all significant expense items, the Company recorded a net loss of $14.8 million, or $0.19 per share.

Our operating results showed significant improvement compared to last quarter, as a result of both revenue growth and the ongoing expense reduction initiatives we’re undertaking. Excluding incentive compensation, which is directly correlated to revenue, operating expenses decreased this quarter on average by 12%. And we were able to achieve this while growing revenue by nearly 15%, or $24 million, in that same time frame.

Canaccord Genuity

Canaccord Genuity, our global capital markets division, recorded $119.0 million of revenue during the second quarter, an increase of 18% compared to the previous quarter and 71% compared to the same period last year. Our principal trading and investment banking activities generated a marked improvement, due largely to enhanced performance from our US and UK operations. In fact, our US and UK businesses are beginning to build the kind of momentum we expected from our acquisition of Collins Stewart Hawkpoint plc.

We’re particularly pleased that all of our geographies made meaningful contributions to our capital raising activities this quarter, with sizable transactions led on the Canadian, UK, Singapore and Australian exchanges. Globally, Canaccord Genuity’s investment banking team led or co-led 28 financing transactions during the quarter, raising approximately $1.1 billion for our clients. Our M&A and advisory practice also had another solid contribution, generating $28.6 million in revenue during the quarter, and continues to have an exceptionally strong pipeline.

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(1) Significant expense items include restructuring costs, amortization of intangible assets, and acquisition-related expense items.
Wealth Management

Our Canadian wealth management business continued to be affected by slower market activity during the quarter, generating $35.8 million in revenue with expenses of $47.4 million including a one time only charge of $13.6 million related to a restructuring of that business unit. This led to a net loss before tax of $20.8 million. To strengthen the performance of this business, we are in the process of implementing a new strategy to streamline and refocus our operations in larger Canadian centres. On September 24, we announced the closing of four corporate and 12 independent underperforming branches, located mostly in smaller communities. This strategy will allow us to invest further in core branches that have a strong market presence and have demonstrated consistently profitable operations. By removing loss-generating locations from our Canadian wealth management platform, we’re confident that we can meaningfully improve the performance of this business. While market conditions in Canada remain subdued, we expect this business will operate at or near a breakeven basis. Given stronger market conditions, we believe this business can generate meaningful returns to our shareholders. Most importantly, we expect that these activities will allow our wealth management businesses to operate more competitively within this dynamic economic environment.

In the UK and Europe, Collins Stewart Wealth Management continued to provide consistent returns to our business, generating $20.7 million in revenue and, excluding acquisition-related expenses, $2.8 million of net income before tax. Importantly, fee-based activities contributed 62% of revenue generated by this business in fiscal Q2/13, and assets under management continued to grow to $13.1 billion.

During the second quarter we strengthened our UK wealth management division through the addition of Eden Financial’s wealth management business. This complementary acquisition, which closed just after our fiscal second quarter, added an additional $1.3 billion to assets under management and grew our UK client base. Eden continues to provide clients with the same high quality, tailored services as before, but under the Canaccord umbrella.

Looking Ahead

In the months ahead, we will continue to be focused on cross-border collaboration, to ensure that our clients and shareholders receive the full value of our global offering. While we’re already building momentum in many of the markets we operate in, we’re confident that we can find even more opportunities for clients by further integrating our capital markets operations around the world. We also believe that Canaccord Wealth Management can be a positive contributor to the firm’s profitability and we expect to make further investments in that business as its performance improves. We plan to continue to actively recruit, launch new products and services, and build out our digital strategy to better serve our existing clients and reduce our costs.

In summary, we expect market conditions will continue to be subdued over the near term but we’re confident our company is better positioned now to perform in this environment. While macroeconomic factors will continue to play a significant role in the operating environment for our industry, we are focused on growth – for our firm and for our clients.

Kind regards,

Paul D. Reynolds
President & CEO
Management’s Discussion and Analysis

Second quarter fiscal 2013 for the three months and six months ended September 30, 2012 – this document is dated November 7, 2012

The following discussion of the financial condition and results of operations for Canaccord Financial Inc. (Canaccord or the Company) is provided to enable the reader to assess material changes in our financial condition and to assess results for the three- and six-month periods ended September 30, 2012 compared to the corresponding periods in the preceding fiscal year. The three- and six-month periods ended September 30, 2012 are also referred to as second quarter 2013 and Q2/13. This discussion should be read in conjunction with the unaudited interim condensed consolidated financial statements for the three- and six-month periods ended September 30, 2012, beginning on page 29 of this report; our Annual Information Form (AIF) dated May 29, 2012; and the 2012 annual Management’s Discussion and Analysis (MD&A) including the audited consolidated financial statements for the fiscal year ended March 31, 2012 (Audited Annual Consolidated Financial Statements) in Canaccord’s annual report dated May 22, 2012 (the annual report). There has been no material change to the information contained in the annual MD&A for fiscal 2012 except as disclosed in this MD&A. Canaccord’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 Canaccord’s growth, results of operations, performance and business prospects and opportunities. Such forward-looking statements reflect management’s current beliefs and are based on information currently available to management. In some cases, forward-looking statements can be identified by terminology such as “may”, “will”, “should”, “expect”, “plan”, “anticipate”, “believe”, “estimate”, “predict”, “potential”, “continue”, “target”, “intend”, “could” or the negative of these terms or other comparable terminology. By their very nature, forward-looking statements are subject to inherent risks and uncertainties, both general and specific, and a number of factors could cause actual events or results to differ materially from the results discussed in the forward-looking statements. In evaluating these statements, readers should specifically consider various factors that may cause actual results to differ materially from any forward-looking statement. These factors include, but are not limited to, market and general economic conditions, the nature of the financial services industry and the risks and uncertainties discussed from time to time in the Company’s interim condensed and annual consolidated financial statements and its annual report and the AIF filed on www.sedar.com as well as the factors discussed in the section entitled “Risks” in this MD&A, which include market, liquidity, credit, operational, legal and regulatory risks. Material factors or assumptions that were used by the Company to develop the forward-looking information contained in this document include, but are not limited to, those set out in the Fiscal 2013 Outlook section in the annual MD&A and those discussed from time to time in the Company’s interim condensed and annual consolidated financial statements and its annual report and the 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 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- and six-month periods ended September 30, 2012 (Second Quarter 2013 Financial Statements) prepared in accordance with International Financial Reporting Standards (IFRS). The Second Quarter 2013 Financial Statements have been prepared in accordance with International Accounting Standard 34, “Interim Financial Reporting” (IAS 34), using accounting policies consistent with those applied in preparing the Company’s Audited Annual Consolidated Financial Statements for the year ended March 31, 2012.
NON-IFRS MEASURES

Certain non-IFRS measures are utilized by Canaccord 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.

Canaccord’s capital is represented by common 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 divided by the number of diluted common shares outstanding.

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 or AUM – UK and Europe is the market value of client assets managed and administered by Canaccord from which Canaccord earns commissions or 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 Managed Account Program. Services provided include the selection of investments and the provision of investment advice. Canaccord’s method of calculating AUA – Canada, AUM – Canada, AUM – Australia or AUM – UK and 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 Wealth Management business segment, which now includes Collins Stewart Wealth Management. AUM – Canada is also administered by Canaccord and is included in AUA – Canada.

Financial statement items that exclude significant items are non-IFRS measures. Significant items for these purposes are defined as including restructuring costs, amortization of intangible assets, and acquisition-related expense items, which include costs recognized in relation to both prospective and completed acquisitions. See the Selected Financial Information Excluding Significant Items table on page 13.

Management believes that these non-IFRS measures will allow for a better evaluation of the operating performance of Canaccord’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 Canaccord’s core operating results. A limitation of utilizing these figures that exclude significant items is that the IFRS accounting for these items does in fact reflect the underlying financial results of Canaccord’s business; thus, these effects should not be ignored in evaluating and analyzing Canaccord’s financial results. Therefore, management believes that Canaccord’s IFRS measures of financial performance and the respective non-IFRS measures should be considered together.

Business Overview

Through its principal subsidiaries, Canaccord Financial Inc. is a leading independent, full-service financial services firm, with operations in two principal segments of the securities industry: global capital markets and wealth management. Since its establishment in 1950, Canaccord 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 has offices in 12 countries worldwide, including wealth management offices located in Canada, Australia, the UK and Europe. Canaccord Genuity, the Company’s international capital markets division, has operations in Canada, the US, the UK, France, Germany, Ireland, Italy, China, Hong Kong, Singapore, Australia and Barbados.

Canaccord Financial Inc. is publicly traded under the symbol CF on the TSX and the symbol CF, on the main market of the London Stock Exchange. Canaccord Series A Preferred Shares are listed on the TSX under the symbol CF.PR.A. Canaccord 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, including the seasonal variance in these markets.

BUSINESS ENVIRONMENT

Many equity markets recovered during Canaccord’s fiscal second quarter. Several positive developments contributed to the price recovery in risk assets. First, the European Central Bank, through its bond-buying program, eased tensions in Eurozone financial markets by lowering borrowing costs for distressed debt countries such as Spain and Italy. Second, the US Federal Reserve (Fed) proceeded with QE3 by expanding its holding of long term debt securities with open-ended purchases of mortgage debt. This open-ended term affirms that the Fed will undertake debt purchases until the outlook for the economy and the labour market substantially improves. The Fed also indicated its intentions to hold the federal funds rate near zero, at least through mid-2015. Finally, many other central banks joined the European Central Bank’s and the Fed’s precedents by lowering borrowing rates this summer, resulting in the increase in investors’ risk appetites.
Management’s Discussion and Analysis

During fiscal Q2/13, the S&P/TSX Composite rose 6.2%. Comparatively, the S&P 500 rose 5.8% and the German DAX index added 4.9%. Overall, Canadian equities outperformed their world counterparts as a result of strong commodity prices, such as copper (+6.9%) and crude oil (+8.4%), which benefited from the fiscal stimulus programs aimed to tackle the economic slowdown introduced by the Chinese government and the People’s Bank of China. Unsurprisingly, smaller cap equities benefited most from the rebound in investors’ risk appetite, and as such, the S&P/TSX Venture exchange increased 12.1% during the quarter. Unfortunately, despite a more positive market environment, business and investor sentiment remained subdued. Political uncertainties around the world, upcoming US fiscal-cliff negotiations and the widespread global economic slowdown continued to weigh on investor and business confidence. The rebound in equity markets in September did resurrect underwriting activity, but secondary market trading activities remain subpar.

Going forward, the world economy will likely continue to slow in the near term. However, calendar Q4/12 could mark a positive inflexion point. The lagged effects of global monetary and fiscal refiation should be felt later this year, or early in the next. The US economy remains a bastion of relative strength, and risks of an economic double-dip remain low as long as corporations and consumers have access to credit. We expect that the election of President Obama will provide further clarity on US economic policies moving forward. Finally, there are signs that the Chinese economy is bottoming out with China’s quarter-over-quarter GDP growth accelerating to 2.2% in calendar Q3/12. Uncertainty remains in Europe; however, now that governments have contained Eurozone risks, pro-growth policies have become the priority of monetary authorities.

Overall, Canadian capital markets are well positioned to benefit from the expected hyper-reflation induced by world central banks. Canada’s sound fiscal position and low political risks relative to the US and Europe are also positives for its economy. Already, signs of stabilization in M&A and advisory revenues have emerged, with depressed equity multiples incentivizing cash-rich corporations to take action to improve their competitive position. As a result, we are hopeful that capital markets revenues gradually improve.

MARKET DATA

Financing values on the TSX and TSX Venture experienced considerable increases compared to the previous quarter and in the year-over-year period. Financing values on AIM and the NASDAQ experienced significant increases compared to the previous quarter and the same period last year.

TOTAL FINANCING VALUE BY EXCHANGE

<table>
<thead>
<tr>
<th></th>
<th>July 2012</th>
<th>August 2012</th>
<th>September 2012</th>
<th>Fiscal Q2/13</th>
<th>Change from fiscal Q2/12</th>
<th>Change from fiscal Q1/13</th>
</tr>
</thead>
<tbody>
<tr>
<td>TSX and TSX Venture (C$ billions)</td>
<td>4.2</td>
<td>3.9</td>
<td>2.3</td>
<td>10.4</td>
<td>32.7%</td>
<td>27.8%</td>
</tr>
<tr>
<td>AIM (£ billions)</td>
<td>1.4</td>
<td>1.9</td>
<td>2.3</td>
<td>5.6</td>
<td>700.0%</td>
<td>600.0%</td>
</tr>
<tr>
<td>NASDAQ (US$ billions)</td>
<td>7.3</td>
<td>3.4</td>
<td>3.0</td>
<td>13.7</td>
<td>174.0%</td>
<td>44.2%</td>
</tr>
</tbody>
</table>

Source: TSX Statistics, LSE AIM Statistics, Equidesk

ABOUT CANACCORD’S OPERATIONS

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

Canaccord Genuity

Canaccord Genuity offers corporations and institutional investors around the world an integrated platform for equity research, sales and trading, and investment banking services that is built on extensive operations in Canada, the UK, Europe, the US, China, Singapore, Australia and Barbados. The Canaccord Genuity business segment includes operations from Canaccord Genuity branded businesses, and also from Canaccord Genuity Hawkpoint and Canaccord Genuity Asia. The capital markets operations in Australia were rebranded as Canaccord Genuity from Canaccord BGF on July 16, 2012.
Canaccord Wealth Management

Canaccord’s 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 the markets the division operates in. Canaccord’s growing wealth management division now has Investment Advisors (IAs) and professionals in Canada, Australia, the UK, Geneva and offshore locations (the Channel Islands and Isle of Man). The Canaccord Wealth Management business segment includes operations from Canaccord Wealth Management branded businesses and Collins Stewart Wealth Management operations (which are expected to be renamed Canaccord Wealth Management by the end of fiscal 2013).

Corporate and Other

Canaccord’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 Wealth Management divisions. Also included in this segment are Canaccord’s 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.

Corporate structure

This organization chart shows the principal operating companies within the Canaccord Group as of November 7, 2012. On October 1, 2012 the Company acquired Eden Financial Ltd., which then changed its name to Collins Stewart Wealth Management Limited.
## Consolidated Operating Results

### SECOND QUARTER AND FIRST-HALF 2013 SUMMARY DATA

<table>
<thead>
<tr>
<th>(C$ thousands, except per share, employee and % amounts)</th>
<th>Three months ended September 30</th>
<th>QTD Q2/13 vs. Q2/12</th>
<th>Six months ended September 30</th>
<th>YTD FY 2013 vs. FY 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commission</td>
<td>$87,145</td>
<td>$60,299</td>
<td>$63,002</td>
<td>44.5%</td>
</tr>
<tr>
<td>Investment banking</td>
<td>37,875</td>
<td>29,799</td>
<td>51,236</td>
<td>27.1%</td>
</tr>
<tr>
<td>Advisory fees</td>
<td>28,571</td>
<td>21,664</td>
<td>13,215</td>
<td>31.9%</td>
</tr>
<tr>
<td>Principal trading</td>
<td>17,109</td>
<td>(1,379)</td>
<td>9,597</td>
<td>n.m.</td>
</tr>
<tr>
<td>Interest</td>
<td>6,758</td>
<td>7,590</td>
<td>5,436</td>
<td>(11.0)%</td>
</tr>
<tr>
<td>Other</td>
<td>9,141</td>
<td>1,527</td>
<td>6,799</td>
<td>n.m.</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td>186,599</td>
<td>119,500</td>
<td>149,285</td>
<td>56.1%</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Incentive compensation</td>
<td>94,514</td>
<td>61,838</td>
<td>70,538</td>
<td>52.8%</td>
</tr>
<tr>
<td>Salaries and benefits</td>
<td>21,417</td>
<td>14,163</td>
<td>16,322</td>
<td>51.2%</td>
</tr>
<tr>
<td>Other overhead expenses (3)</td>
<td>68,829</td>
<td>47,439</td>
<td>47,816</td>
<td>45.1%</td>
</tr>
<tr>
<td>Restructuring costs</td>
<td>18,862</td>
<td>—</td>
<td>—</td>
<td>n.m.</td>
</tr>
<tr>
<td>Acquisition-related costs</td>
<td>1,288</td>
<td>2,956</td>
<td>—</td>
<td>(56.4)%</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>204,910</td>
<td>126,396</td>
<td>134,676</td>
<td>62.1%</td>
</tr>
<tr>
<td>Income (loss) before income taxes</td>
<td>(18,311)</td>
<td>(6,896)</td>
<td>14,609</td>
<td>165.5%</td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>$(14,841)</td>
<td>$(5,278)</td>
<td>$10,251</td>
<td>181.2%</td>
</tr>
<tr>
<td><strong>Net income (loss) attributable to:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CFI shareholders</td>
<td>$(14,562)</td>
<td>$(5,278)</td>
<td>$10,251</td>
<td>175.9%</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>$(279)</td>
<td>$642</td>
<td>—</td>
<td>n.m.</td>
</tr>
<tr>
<td><strong>Earnings (loss) per common share – diluted</strong></td>
<td>$(0.19)</td>
<td>$(0.09)</td>
<td>0.12</td>
<td>111.1%</td>
</tr>
<tr>
<td>Return on common equity (4)</td>
<td>(8.3)%</td>
<td>(2.8)%</td>
<td>6.0%</td>
<td>(5.5) p.p.</td>
</tr>
<tr>
<td>Dividends per common share</td>
<td>$0.05</td>
<td>$0.10</td>
<td>$0.05</td>
<td>(50.0)%</td>
</tr>
<tr>
<td>Book value per diluted common share (5)</td>
<td>$7.61</td>
<td>$8.75</td>
<td>$8.05</td>
<td>(13.0)%</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$5,102,481</td>
<td>$5,665,166</td>
<td>$5,261,916</td>
<td>(9.9)%</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>$4,052,592</td>
<td>$4,801,673</td>
<td>$4,581,386</td>
<td>(15.6)%</td>
</tr>
<tr>
<td><strong>Non-controlling interests</strong></td>
<td>$16,047</td>
<td>$16,047</td>
<td>—</td>
<td>n.m.</td>
</tr>
<tr>
<td><strong>Total shareholders’ equity</strong></td>
<td>$1,033,842</td>
<td>$863,493</td>
<td>$680,530</td>
<td>19.7%</td>
</tr>
<tr>
<td><strong>Number of employees</strong></td>
<td>2,215</td>
<td>1,710</td>
<td>1,631</td>
<td>29.5%</td>
</tr>
<tr>
<td><strong>Excluding significant items</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total expenses</td>
<td>$179,710</td>
<td>$122,510</td>
<td>$132,849</td>
<td>46.7%</td>
</tr>
<tr>
<td>Income (loss) before income taxes</td>
<td>6,889</td>
<td>(3,010)</td>
<td>16,436</td>
<td>n.m.</td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>5,907</td>
<td>(1,665)</td>
<td>12,078</td>
<td>n.m.</td>
</tr>
<tr>
<td><strong>Net income (loss) attributable to:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CFI shareholders</td>
<td>5,864</td>
<td>(1,665)</td>
<td>12,078</td>
<td>n.m.</td>
</tr>
<tr>
<td>Earnings (loss) per common share – diluted</td>
<td>0.03</td>
<td>(0.05)</td>
<td>0.15</td>
<td>(160.0)%</td>
</tr>
</tbody>
</table>

(1) Data is in accordance with IFRS except for ROE, book value per diluted common share, number of employees, and figures that exclude significant items. See Non-IFRS Measures on page 9.

(2) Data includes the results of Genuity since the closing date of April 23, 2010. Results of Canaccord Genuity Asia since the closing date of January 17, 2011 and the results for Canaccord Genuity and Canaccord Wealth Management operations in Australia since the closing date of November 1, 2011 are also included. The operating results of the Australian operations have been fully consolidated and a 50% non-controlling interest has been recognized. Results of former Collins Stewart Hawkpoint plc (CSHP) entities since March 22, 2012 are also included.

(3) Consists of trading costs, premises and equipment, communication and technology, interest, general and administrative, amortization and development costs.

(4) ROE is presented on an annualized basis. ROE for each period is calculated by dividing the annualized net income (loss) available to common shareholders for the period over the average common shareholders’ equity for the period.

(5) Book value per diluted common share is calculated as total common shareholders’ equity divided by the number of diluted common shares outstanding.

(6) Net income (loss) and earnings (loss) per diluted common share excluding significant items reflect tax-effected adjustments related to such items. See the Selected Financial Information Excluding Significant Items table on page 13.

p.p.: percentage points
n.m.: not meaningful
## SELECTED FINANCIAL INFORMATION EXCLUDING SIGNIFICANT ITEMS\(^1\)

<table>
<thead>
<tr>
<th>(C$ thousands, except % amounts)</th>
<th>Three months ended September 30</th>
<th>Quarter-over-quarter change</th>
<th>Six months ended September 30</th>
<th>YTD-over-YTD change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
<td>2011</td>
<td>2012</td>
<td>2011</td>
</tr>
<tr>
<td>Total revenue per IFRS</td>
<td>$186,599</td>
<td>$119,500</td>
<td>56.1%</td>
<td>$349,148</td>
</tr>
<tr>
<td>Total expenses per IFRS</td>
<td>204,910</td>
<td>126,396</td>
<td>62.1%</td>
<td>391,958</td>
</tr>
<tr>
<td>Significant items recorded in Canaccord Genuity</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restructuring costs</td>
<td>4,395</td>
<td>—</td>
<td>n.m.</td>
<td>4,395</td>
</tr>
<tr>
<td>Acquisition-related costs</td>
<td>388</td>
<td>1,443</td>
<td>(73.1)%</td>
<td>388</td>
</tr>
<tr>
<td>Amortization of intangible assets</td>
<td>3,436</td>
<td>930</td>
<td>269.5%</td>
<td>7,809</td>
</tr>
<tr>
<td>Significant items recorded in Canaccord Wealth Management</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restructuring costs</td>
<td>13,567</td>
<td>—</td>
<td>n.m.</td>
<td>13,567</td>
</tr>
<tr>
<td>Acquisition-related costs</td>
<td>900</td>
<td>—</td>
<td>n.m.</td>
<td>900</td>
</tr>
<tr>
<td>Amortization of intangible assets</td>
<td>1,614</td>
<td>—</td>
<td>n.m.</td>
<td>2,612</td>
</tr>
<tr>
<td>Significant items recorded in Corporate and Other</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restructuring costs</td>
<td>900</td>
<td>—</td>
<td>n.m.</td>
<td>900</td>
</tr>
<tr>
<td>Acquisition-related costs</td>
<td>—</td>
<td>—</td>
<td>100.0%</td>
<td>—</td>
</tr>
<tr>
<td>Total significant items</td>
<td>25,200</td>
<td>3,886</td>
<td>n.m.</td>
<td>30,571</td>
</tr>
<tr>
<td>Total expenses excluding significant items</td>
<td>179,710</td>
<td>122,510</td>
<td>46.7%</td>
<td>361,387</td>
</tr>
<tr>
<td>Net income (loss) before tax – adjusted</td>
<td>$6,889</td>
<td>$(3,010)</td>
<td>n.m.</td>
<td>$(12,239)</td>
</tr>
<tr>
<td>Income taxes (recovery) – adjusted</td>
<td>982</td>
<td>(1,345)</td>
<td>(73.0)%</td>
<td>(1,851)</td>
</tr>
<tr>
<td>Net income (loss) – adjusted</td>
<td>$5,907</td>
<td>$(1,665)</td>
<td>n.m.</td>
<td>$(10,388)</td>
</tr>
<tr>
<td>Earnings (loss) per common share – basic, adjusted</td>
<td>$0.03</td>
<td>$(0.05)</td>
<td>(160.0)%</td>
<td>$(0.17)</td>
</tr>
<tr>
<td>Earnings (loss) per common share – diluted, adjusted</td>
<td>$0.03</td>
<td>$(0.05)</td>
<td>(160.0)%</td>
<td>$(0.17)</td>
</tr>
</tbody>
</table>

\(^1\) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 9. n.m.: not meaningful

## Revenue

### Second quarter 2013 vs. second quarter 2012

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 September 30, 2012 was $186.6 million, an increase of 56.1% or $67.1 million compared to the same period a year ago.

Revenue generated from commissions increased by $26.8 million, to $87.1 million, compared to the same period a year ago, primarily as a result of additional management fees revenue generated from our new wealth management division in the UK and Europe.

The acquisition of CSHP operations in Q4/12 led to increases in investment banking and advisory fees in Q2/13 compared to Q2/12. Investment banking revenue was $37.9 million, up $8.1 million or 27.1%, and advisory revenue grew by $6.9 million or 31.9%, to $28.6 million in Q2/13, from the same period a year ago. The growth in investment banking and advisory fees was most notable in the UK and Europe with a $10.2 million and $10.6 million increase, respectively.

The Company’s global expansion also contributed to our principal trading revenue, especially in the US geographic segment. Principal trading revenue was $17.1 million, up $18.5 million compared to a principal trading loss of $1.4 million in Q2/12. The strengthening Canadian dollar resulted in an increase in foreign exchange gains in Q2/13, as reflected by the increase in other revenue. Further to the stronger Canadian dollar, the Company recognized in other revenue $0.9 million net realized gain for the sale of its investment in Alternative Alpha Trading System (Alpha).

### First-half fiscal 2013 vs. first-half fiscal 2012

Revenue for the six months ended September 30, 2012 was $349.1 million, an increase of 25.0% or $69.9 million compared to the same period a year ago, mainly due to the expanded operations achieved through the acquisition of CSHP and a 50% interest in Canaccord Genuity (Australia) Limited (formerly Canaccord BGF). Commission revenue was $175.6 million, representing an increase of 44.7%. Revenue generated from investment banking activities was down 25.8%, to $66.5 million, due to a decline in financing activity in equity markets in Canada and the US.
Advisory fees of $54.2 million represented an increase of 22.6%, or $10.0 million, compared to the same period in the prior year. As noted above, the expansion in the UK and Europe, through the acquisition of CSHP, is the main contributor to the increase in advisory fees. This increase was partially offset by a decrease in advisory fees in Canada as Mergers & Acquisitions (M&A) and other advisory activities declined during the period.

Revenue derived from principal trading was $24.4 million higher at $25.0 million, compared to the same period last year, primarily due to the expansion of the US operations.

Other revenue increased by $4.7 million, to $12.7 million, during the first half of fiscal year 2013, largely as a result of higher foreign exchange gains, as discussed above.

GEOGRAPHIC DISTRIBUTION OF REVENUE FOR THE SECOND QUARTER 2013:

<table>
<thead>
<tr>
<th>(C$ thousands, except % amounts)</th>
<th>Three months ended September 30</th>
<th>Six months ended September 30</th>
<th>Quarter-over-quarter change</th>
<th>YTD-over-YTD change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
<td>2011</td>
<td></td>
<td>2012</td>
</tr>
<tr>
<td>Canada</td>
<td>80,728</td>
<td>91,743</td>
<td>(12.0)%</td>
<td>157,369</td>
</tr>
<tr>
<td>UK and Europe</td>
<td>59,706</td>
<td>9,338</td>
<td>n.m.</td>
<td>108,513</td>
</tr>
<tr>
<td>US</td>
<td>40,008</td>
<td>18,586</td>
<td>115.3%</td>
<td>71,702</td>
</tr>
<tr>
<td>Other Foreign Locations(2)</td>
<td>6,157</td>
<td>(167)</td>
<td>n.m.</td>
<td>11,564</td>
</tr>
<tr>
<td>Total</td>
<td>$ 186,599</td>
<td>$ 119,500</td>
<td>56.1%</td>
<td>$ 349,148</td>
</tr>
</tbody>
</table>

(1) For a business description of Canaccord’s geographic distribution, please refer to the About Canaccord’s Operations section on page 10.
(2) Other Foreign Locations include operations for Canaccord International Ltd., Canaccord Genuity Asia, Canaccord Genuity Singapore Pte. Ltd., and Canaccord Genuity (Australia) Limited (formerly Canaccord BGF).

n.m.: not meaningful

Second quarter 2013 vs. second quarter 2012

Second quarter 2013 revenue in Canada decreased in our capital markets and wealth management segments, resulting in an overall $11.0 million or 12.0% decline from the same quarter of the prior year. Both the capital markets and wealth management segments experienced challenges from the continued volatility in the economy, resulting in lower revenue in the current period. Revenue derived from the Corporate and Other segment increased due to higher foreign exchange gains as a result of the stronger Canadian dollar.

Our UK and Europe operations generated $59.7 million of revenue in Q2/13, a considerable increase of $50.4 million, as a result of the acquisition of the CSHP operations in Q4/12. The wealth management operation in the UK and Europe contributed $20.7 million while the capital markets operations contributed $39.0 million to the total revenue.

Revenue in the US was $40.0 million in Q2/13, an increase of $21.4 million, or 115.3%, compared to Q2/12. The increase was mostly driven by higher principal trading revenue generated by the addition of certain principal trading units in the US through the CSHP acquisition.

Canaccord’s global expansion into Asia and Australia through its acquisition of a 50% interest in Canaccord Genuity (Australia) Limited and its acquisition of CSHP’s Singaporean operations resulted in a $6.3 million increase in revenue in the Other Foreign Locations geographic region.

First-half fiscal 2013 vs. first-half fiscal 2012

Year-to-date revenue in Canada was $157.4 million, a decrease of 26.7% or $57.5 million from the same period a year ago. First-half fiscal year 2013 revenue in the UK was $108.5 million, which was a significant increase of $89.9 million compared to the same period a year ago. Revenue in the US was $71.7 million, $25.9 million or 56.6% higher than the first half of fiscal year 2012. Revenue from Other Foreign Locations was $11.6 million compared to $0.1 million in the six months ended September 30, 2011. The increase in revenue across the geographic locations was mainly attributable to Canaccord’s global expansion in the UK and Europe, the US, Australia, Singapore, China, and Hong Kong. The increases in these geographic segments were offset by a decrease in revenue in Canada due to slower market conditions in the first half of fiscal 2013 compared to the first half of fiscal 2012.

Expenses

Expenses for the three months ended September 30, 2012 were $204.9 million, an increase of 62.1% or $78.5 million from the same period a year ago. Expenses for the six months ended September 30, 2012 were $392.0 million, an increase of 44.9% or $121.5 million from the same period a year ago.
EXPENSES AS A PERCENTAGE OF REVENUE

<table>
<thead>
<tr>
<th></th>
<th>Three months ended September 30</th>
<th>Quarter-over-quarter change</th>
<th>Six months ended September 30</th>
<th>YTD-over-YTD change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
<td>2011</td>
<td>(in percentage points)</td>
<td>2012</td>
</tr>
<tr>
<td>Incentive compensation</td>
<td>50.7%</td>
<td>51.7%</td>
<td>(1.0) p.p.</td>
<td>51.4%</td>
</tr>
<tr>
<td>Salaries and benefits</td>
<td>11.5%</td>
<td>11.9%</td>
<td>(0.4) p.p.</td>
<td>12.7%</td>
</tr>
<tr>
<td>Other overhead expenses(1)</td>
<td>37.0%</td>
<td>39.7%</td>
<td>(2.7) p.p.</td>
<td>42.6%</td>
</tr>
<tr>
<td>Acquisition-related costs</td>
<td>1.0%</td>
<td>2.5%</td>
<td>(1.5) p.p.</td>
<td>0.5%</td>
</tr>
<tr>
<td>Total</td>
<td>109.8%</td>
<td>105.8%</td>
<td>4.0 p.p.</td>
<td>112.3%</td>
</tr>
</tbody>
</table>

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

p.p.: percentage points

Compensation expenses

Second quarter 2013 vs. second quarter 2012

Incentive compensation expense was $94.5 million for the quarter, up 52.8% or $32.7 million. The increase in incentive compensation expense was largely due to our expanded operations in the UK and Europe, and the US, as a result of our acquisition of CSHP. Incentive compensation expense as a percentage of total revenue decreased by 1.0 percentage point compared to Q2/12. The increase in salaries and benefits expense of $7.3 million or 51.2%, to $21.4 million, is consistent with the increase in headcount, primarily in the UK and Europe, and the US, as a result of our global expansion.

Total compensation expense (incentive compensation plus salaries and benefits) as a percentage of revenue for Q2/13 was 62.2%, a drop of 1.4 percentage points from 63.6% in Q2/12, mainly due to a slight decrease in incentive compensation in our UK and Europe operations.

First-half fiscal 2013 vs. first-half fiscal 2012

Incentive compensation expense was $179.3 million for the first half of fiscal 2013, up 28.6% from the prior year, which was consistent with higher incentive-based revenue during the period. Consolidated incentive compensation as a percentage of total revenue was 51.4%, an increase of 1.5 percentage points, mainly as a result of higher long-term incentive plan (LTIP) expense recognized in relation to the amortization of awards granted in prior periods.

Salaries and benefits expense was $44.6 million, an increase of 42.6%, in the first half of fiscal 2013 compared to the same period a year ago for the reasons described above. Total compensation expense (incentive compensation plus salaries and benefits) as a percentage of consolidated revenue was 64.1%, up 3.0 percentage points from 61.1% recorded in the first half of fiscal 2012.

OTHER OVERHEAD EXPENSES

|                                | Three months ended September 30 | Quarter-over-quarter change | Six months ended September 30 | YTD-over-YTD change |
|                                | 2012  | 2011  | (C$ thousands, except % amounts) | 2012  | 2011  | change |
|                                | 2012  | 2011  |                             | 2012  | 2011  | change |
| Trading costs                  | $10,189 | $7,742 | 31.6%                      | $22,776 | $16,707 | 36.3% |
| Premises and equipment         | 10,842   | 6,727   | 61.2%                      | 21,696   | 13,559   | 60.0% |
| Communication and technology   | 11,280   | 6,752   | 67.1%                      | 25,585   | 13,141   | 94.7% |
| Interest                       | 3,291    | 1,967    | 67.3%                      | 7,842    | 4,375    | 79.2% |
| General and administrative     | 20,957   | 16,263   | 28.9%                      | 44,973   | 32,537   | 38.2% |
| Amortization(1)                | 7,755    | 2,947    | 163.1%                     | 15,891   | 5,852    | 171.5% |
| Development costs              | 4,515    | 5,041    | (10.4)%                    | 9,140    | 10,571   | (13.5)% |
| Total other overhead expenses  | $68,829  | $47,439  | 45.1%                      | $147,903 | $96,742  | 52.9% |

(1) Includes amortization of intangible assets in connection with the acquisitions of Genuity, a 50% interest in Canaccord Genuity (Australia) Limited (formerly Canaccord BGF), and CSHP.
Management's Discussion and Analysis

Other overhead expenses
Second quarter 2013 vs. second quarter 2012

Compared to Q2/12, overhead expenses grew by 45.1% or $21.4 million in the second quarter of fiscal 2013, to $68.8 million. The increase was a result of higher communication and technology expense, general and administrative expense, amortization expense, premises and equipment expense, trading cost expense, and interest expense.

Our expanded operations in the US, and the UK and Europe, from the acquisition of CSHP were the main contributors to the increase in overhead expenses during Q2/13. Trading costs were up $2.4 million in Q2/13 compared to the same quarter of the prior year, mainly due to the addition of certain principal trading operations in the US. The Company's new wealth management operations in the UK and Europe and Australia also contributed to the higher trading costs. Communication and technology expense increased by $4.5 million compared to Q2/12 due to additional headcount as well as the global expansion of technology platforms. Premises and equipment expense increased by $4.1 million due to additional office space acquired. Interest expense increased by $1.3 million, due to an increase in stock borrowing expense in our UK operations. The increase in our general and administrative expense of $4.7 million, which includes promotion and travel expense, office expense and professional fees, was as a result of our expanded operations, as well as certain integration costs incurred to align the various global business units.

Amortization of intangible assets acquired through the purchase of a 50% interest in Canaccord Genuity (Australia) Limited (formerly Canaccord BGF) and the acquisition of CSHP was the main reason for the $4.8 million increase in amortization expense.

During the quarter ended September 30, 2012, the Company took a number of steps to contain costs and refocus our Canadian operations. This resulted in $15.0 million of restructuring costs in Canada. In the US, steps were taken to take advantage of cost saving synergies between the recently acquired CSHP and the existing Canaccord Genuity US operations, which resulted in $3.8 million of restructuring costs. Furthermore, the Company incurred $0.4 million in acquisition-related costs in connection with the purchase of Kenosis Capital Partners (Kenosis Capital) in Asia and $0.9 million in connection with the acquisition of Eden Financial's wealth management business, to grow the client asset base in the UK and Europe.

First-half fiscal 2013 vs. first-half fiscal 2012

Other overhead expenses for the six months ended September 30, 2012 increased by 52.9% or $51.2 million, to $147.9 million, from the same period a year ago. Increases in communication and technology expense, general and administrative expense, amortization expense, premises and equipment expense, trading costs, and interest expense were partially offset by a decrease in development costs. The overall increase in overhead expenses for the first half of fiscal 2013 relate to the expanded operations in the US, and the UK and Europe.

Trading costs increased by $6.1 million compared to the same period last year for the same reason discussed above. Premises and equipment expense was also up $8.1 million due to additional office space obtained to support the growth of the Company. Communication and technology expense saw a significant increase of $12.4 million from the first half of fiscal 2012, to $25.6 million, as a result of additional headcount gained through the Company's global expansion. Interest expense was higher in our US, and UK and Europe capital markets operations, leading to a $3.5 million increase during the period.

General and administrative expense was up $12.4 million primarily as a result of a $4.4 million increase in professional fees, a $3.3 million increase in office expense, a $2.9 million increase in promotion and travel expense, and a $1.4 million increase in other expenses in support of the Company's global expansion, offset by a $1.0 million decrease in client settlement expense. In addition, in accordance with the Company's policy of reserving against unsecured balances, the Company recognized an additional $1.9 million credit provision in the six months ended September 30, 2012.

The $10.0 million increase in amortization expense relates mostly to the amortization of intangible assets acquired through the purchase of a 50% interest in Canaccord Genuity (Australia) Limited (formerly Canaccord BGF) and the acquisition of CSHP. Development costs were down by $1.4 million, mainly due to lower hiring incentives granted in the UK and Europe and in Asia.

The Company also recognized $18.9 million of restructuring costs, mainly related to the restructuring in our Canadian and US operations, as mentioned above. The acquisition-related costs of $1.3 million relate to costs incurred for our acquisition of Eden Financial and Kenosis Capital.

Net loss
Second quarter 2013 vs. second quarter 2012

Net loss for Q2/13 was $14.8 million compared to a net loss of $5.3 million in the same period a year ago. Diluted loss per share was $0.19 in Q2/13 compared to $0.09 in Q2/12. The net loss recognized in Q2/13 is mainly attributable to the restructuring costs and acquisition-related costs incurred, as discussed above. Book value per diluted common share for Q2/13 was $7.61 versus $8.75 in Q2/12.
Excluding significant items, which consist of restructuring costs, acquisition-related costs, and amortization of intangible assets, net income for Q2/13 was $5.9 million compared to a net loss of $1.7 million in Q2/12. Diluted earnings per share (EPS), excluding significant items, was $0.03 in Q2/13 compared to diluted loss per share of $0.05 in Q2/12.

The increase in net income excluding significant items was mainly due to stronger revenue performance achieved through the Company’s global expansion.

Income tax recovery was $3.5 million for the current quarter, reflecting an effective tax recovery rate of 19.0%, compared to income tax recovery of $1.6 million and an effective tax recovery rate of 23.5% in Q2/12. The tax recovery rate for Q2/13 was mainly impacted by temporary differences not recognized by subsidiaries outside of Canada.

First-half fiscal 2013 vs. first-half fiscal 2012

Net loss for the first half of fiscal 2013 was $35.5 million compared to net income of $7.9 million for the same period a year ago. Diluted loss per share was $0.43 compared to diluted EPS of $0.07 a year ago, and ROE was (9.4)% compared to 2.1% a year ago. Net loss excluding acquisition-related expense items was $10.4 million and diluted loss per share was $0.17, compared to diluted EPS of $0.13 in the same period a year ago. The stronger revenue performance achieved through the Company’s recent acquisition was offset by certain integration costs incurred to align the various global business units.

Income tax recovery was $7.3 million for the six months ended September 30, 2012, reflecting a year-to-date effective tax recovery rate of 17.2%, compared to income tax of $0.9 million and an effective tax rate of 10.6% for the same period last year. The decrease in the effective tax rate was mainly driven by various permanent items as well as temporary differences not recognized for accounting purposes in certain operations outside of Canada.

Results of Operations by Business Segment

| CANACCORD GENUITY(x)(2) | Three months ended September 30 | | Six months ended September 30 | | YTD-over-YTD change |
|-------------------------|--------------------------------|----------------|---------------------------|----------------|
|                         | 2012 | 2011 | Quarter-over-quarter change | 2012 | 2011 | change |
| Revenue                 | $ 118,957 | $ 69,452 | 71.3% | $ 219,414 | $ 166,829 | 31.5% |
| Expenses                |       |       |      |       |       |       |
| Incentive compensation  | 66,247 | 36,876 | 79.6% | 123,839 | 83,031 | 49.1% |
| Salaries and benefits   | 8,670 | 3,382 | 156.4% | 17,480 | 8,593 | 103.4% |
| Other overhead expenses | 45,529 | 30,311 | 50.2% | 99,185 | 59,916 | 65.5% |
| Restructuring costs     | 4,395 | — | n.m. | 4,395 | — | n.m. |
| Acquisition-related costs | 388 | 1,443 | (73.1)% | 388 | 1,443 | (73.1)% |
| Total expenses          | 125,229 | 72,012 | 73.9% | 245,287 | 152,983 | 60.3% |
| Income (loss) before income taxes(3) | $ (6,272) | $ (2,560) | (145.0)% | $ (25,873) | $ 13,846 | (286.9)% |
| Number of employees     | 978 | 640 | 52.8% | 978 | 640 | 52.8% |

(1) Data is in accordance with IFRS except for number of employees.
(2) Data includes the results of Genuity Asia since the closing date of January 17, 2011 and results of Canaccord Genuity Asia since the closing date of January 17, 2011 are also included. The operating results of the Australian operations have been fully consolidated and a 50% non-controlling interest has been recognized. Results of former CSHP entities since March 22, 2012 are also included.
(3) Income (loss) before income taxes excludes intersegment allocated costs. See the Intersegment Allocated Costs section on page 22.

n.m.: not meaningful

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

REVENUE BY GEOGRAPHY AS A PERCENTAGE OF CANACCORD GENIITY REVENUE

<table>
<thead>
<tr>
<th>(in percentage points)</th>
<th>Three months ended September 30</th>
<th>Quarter-over-quarter change</th>
<th>Six months ended September 30</th>
<th>YTD-over-YTD change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
<td>2011</td>
<td>2012</td>
<td>2011</td>
</tr>
<tr>
<td>Revenue generated in:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Canada</td>
<td>29.8%</td>
<td>61.2%</td>
<td>(31.4) p.p.</td>
<td>32.4%</td>
</tr>
<tr>
<td>UK and Europe</td>
<td>32.8%</td>
<td>13.4%</td>
<td>19.4 p.p.</td>
<td>31.1%</td>
</tr>
<tr>
<td>US</td>
<td>33.2%</td>
<td>25.6%</td>
<td>7.6 p.p.</td>
<td>32.1%</td>
</tr>
<tr>
<td>Other Foreign Locations</td>
<td>4.2%</td>
<td>(0.2)%</td>
<td>4.4 p.p.</td>
<td>4.4%</td>
</tr>
<tr>
<td></td>
<td>100.0%</td>
<td>100.0%</td>
<td></td>
<td>100.0%</td>
</tr>
</tbody>
</table>

p.p.: percentage points

CANACCORD GENIITY INCENTIVE COMPENSATION EXPENSE AS A PERCENTAGE OF REVENUE BY GEOGRAPHY

<table>
<thead>
<tr>
<th>(in percentage points)</th>
<th>Three months ended September 30</th>
<th>Quarter-over-quarter change</th>
<th>Six months ended September 30</th>
<th>YTD-over-YTD change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
<td>2011</td>
<td>2012</td>
<td>2011</td>
</tr>
<tr>
<td>Incentive compensation ratio as a percentage of revenue</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Canada</td>
<td>54.9%</td>
<td>47.5%</td>
<td>7.4 p.p.</td>
<td>51.4%</td>
</tr>
<tr>
<td>UK and Europe</td>
<td>62.0%</td>
<td>69.2%</td>
<td>(7.2) p.p.</td>
<td>62.5%</td>
</tr>
<tr>
<td>US</td>
<td>51.0%</td>
<td>54.2%</td>
<td>(3.2) p.p.</td>
<td>55.5%</td>
</tr>
<tr>
<td>Other Foreign Locations</td>
<td>49.1%</td>
<td>n.m.</td>
<td>n.m.</td>
<td>56.7%</td>
</tr>
</tbody>
</table>

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

Second quarter 2013 vs. second quarter 2012

Revenue

Revenue for Canaccord Genuity in Q2/13 was $119.0 million, an increase of 71.3% or $49.5 million from the same quarter a year ago.

Revenue in the UK and Europe, and US operations was up considerably, by $29.7 million and $21.7 million, respectively, due to the growth of the Company in these geographies through the acquisition of CSHP. Capital markets activity dropped in our Canadian operations during the second quarter of fiscal 2013, mainly as a result of the subdued pace of equity underwriting due to volatility in the market environment, leading to a decline of 16.6% in revenue. Revenue from our Other Foreign Locations represented 4.2% of total Canaccord Genuity revenue, up 4.4 percentage points compared to the second quarter of fiscal 2012 as a result of the Company’s global expansion into Australia and Singapore.

Expenses

Expenses for Q2/13 were $125.2 million, up 73.9% or $53.2 million. Incentive compensation expense was $66.2 million for the quarter, 79.6% or $29.4 million higher than Q2/12. The increase in incentive compensation expense was largely due to our expanded operations in the UK and Europe, and the US, as a result of the acquisition of CSHP. In Canada, incentive compensation expense as a percentage of revenue increased as a result of higher LTIP expense recognized during Q2/13.

The expansion of the Company through its acquisition of CSHP was also the main driver for the increases in salaries and benefits expense, communication and technology expense, premises and equipment expense, general and administrative expense, and trading costs. The higher expenses resulted from operating under a larger global platform, as well as from certain integration costs incurred by the combined operations that carried into Q2/13.

During Q2/13, the Company incurred $4.4 million of restructuring costs to eliminate staffing redundancies and fully utilize synergies from the CSHP acquisition. Acquisition-related costs of $0.4 million were recognized in connection with the asset purchase from Kenosis Capital, which was made to extend our capital markets operations in Asia.

Interest expense was higher due to increased activity in our UK and Europe operations. Amortization expense was $5.1 million in Q2/13, up $3.1 million or 149.9% due to the amortization of intangible assets acquired in connection with the purchase of a 50% interest in Canaccord Genuity (Australia) Limited (formerly Canaccord BGF) and the acquisition of CSHP.
Management’s Discussion and Analysis

Loss before income taxes and intersegment allocations

Loss before income taxes, excluding allocated overhead expenses for the quarter, was $6.3 million, an increased loss of $3.7 million from the loss of $2.6 million in the same quarter a year ago. Excluding significant items, income before income taxes and allocated overhead expenses was $1.9 million, compared to a loss of $0.2 million in Q2/12. The increase in income before income taxes was attributable to higher revenues from the Company’s expanded operations offset slightly by the increase in overall expenses in this segment.

First-half fiscal year 2013 vs. first-half fiscal year 2012

Revenue

Revenue for Canaccord Genuity in the first half of fiscal 2013 was $219.4 million, an increase of $52.6 million from the same period last year. As discussed above, the increase in revenue is attributable mainly to the growth of our capital markets division in the UK and Europe, and the US. Revenue in the UK and Europe, and the US operations was up considerably, by 267.3% and 61.0%, respectively, due to the growth of the Company in these geographies through the acquisition of CSHP.

Capital markets activity dropped significantly in our Canadian operations during the first half of fiscal 2013, mainly as a result of the subdued pace of equity underwriting in our focus sectors due to volatility in the market environment, leading to a decrease of 31.9% in revenue. Revenue from our Other Foreign Locations represented 4.4% of total Canaccord Genuity revenue, up 4.3 percentage points compared to the first half of fiscal 2012 as a result of the Company’s global expansion into Australia and Singapore.

Expenses

Expenses for first-half fiscal 2013 were $245.3 million, up 60.3% or $92.3 million. The higher expenses were mainly attributable to the increase in incentive compensation expense of $40.8 million. Communication and technology expense, salaries and benefits expense, general and administrative expense, premises and equipment expense, and trading costs all increased as necessary to support the growth in our Canaccord Genuity segment in the US, the UK and Europe, and Other Foreign Locations.

The $40.8 million increase in incentive compensation was a result of the increase in incentive-based revenue. The incentive compensation ratio increased to 56.4% from 49.8% due to an increase in share-based compensation recognized.

Interest expense was $3.4 million higher due to increased capital markets activity in the UK and Europe. The increase in amortization expense of $7.0 million is attributable to the amortization of intangible assets acquired in connection with the purchase of a 50% interest in Canaccord Genuity (Australia) Limited (formerly Canaccord BGF) and the acquisition of CSHP.

During the first half of fiscal 2013, restructuring costs of $4.4 million were incurred as discussed above. Acquisition-related costs of $0.4 million were incurred during the six months ended September 30, 2012 in connection with the purchase agreement with Kenosis Capital. Excluding acquisition-related expense items, total expenses of $232.7 million represented an increase of $83.0 million from the same period last year.

Loss before income taxes and intersegment allocations

Loss before income taxes, excluding allocated overhead expenses for first-half fiscal 2013, was $25.9 million, a decrease of $39.7 million or 286.9% from income of $13.8 million in the same period a year ago. The net earnings in this segment were negatively impacted by the uncertainties surrounding the slowdown in market activity in Canada and additional overhead expenses incurred by the Company as part of its global expansion. Excluding acquisition-related expense items, loss before income taxes for the six months ended September 30, 2012 was $13.3 million compared to income before income taxes of $17.1 million for the same period last year.
Revenue from Canaccord Wealth Management is generated through traditional commission-based brokerage services, the sale of fee-based products and services, margin interest, and fees and commissions earned from investment banking and venture capital transactions by private clients. Canaccord now has wealth management operations in Canada, the US, the UK and Europe, and Australia.

Second quarter 2013 vs. second quarter 2012

Revenue from Canaccord Wealth Management was $57.6 million, an increase of $10.2 million or 21.6% due entirely to the new UK and Europe wealth management operations. Our wealth management operations in the UK and Europe generated management fees and commission revenues of $20.0 million, which were offset by the decrease in commission revenues of $7.3 million in our Canadian wealth management operations.

The wealth management operations in Canada, the US and Australia contributed $37.0 million to the segment’s revenue, a drop of $10.4 million from the second quarter of fiscal 2012. The decrease in revenue was mainly caused by the weak economic conditions that existed during Q2/13. During the quarter, the Company closed 16 underperforming branches across Canada to refocus the Canadian wealth management business.

Through the acquisition of CSHP in Q4/12, Canaccord Wealth Management expanded its operations into the UK and Europe, which generated revenue of $20.7 million during Q2/13. Revenue generated by our UK and Europe operations is largely produced through fee-based accounts and portfolio management activities, and as such, is less sensitive to volatilities in market conditions.

AUA in Canada decreased by 8.8% to $13.3 billion at September 30, 2012, primarily due to poor market performance. AUM in Canada increased by 36.6% compared to Q2/12 due to the segment’s strategic focus on increasing the number of managed accounts. There were 231 Advisory Teams in Canada, down by 40 from a year ago as a result of the branch closures during the quarter. The fee-based revenue in our North American and Australian operations was 6.8 percentage points higher than the same quarter of the prior year and accounted for 26.2% of this geographic segment’s wealth management revenue during the second quarter of 2013.
AUM in the UK and Europe as of September 30, 2012 was $13.1 billion. The fee-based revenue in our UK and Europe operations accounted for 61.9% of total revenue in this geography. As discussed above, this business has a higher proportion of fee-based revenue compared to our Canadian wealth management business.

Expenses for Q2/13 were $66.6 million, an increase of 78.5% or $29.3 million. Restructuring costs of $13.6 million were recognized for the Canadian branch closures, and acquisition-related costs of $0.9 million for the acquisition of Eden Financial Ltd. Total compensation expense was up $6.8 million, mainly due to the additional headcount and revenue earned from the expansion of our wealth management group in the UK and Europe. Other overhead expense increased by $8.0 million, of which $7.1 million was due to additional overhead expense resulting from the expanded operations gained through the acquisition of CSHP.

Amortization expense grew by $1.7 million, mostly due to the amortization of the intangible assets acquired in connection with the purchase of CSHP.

Loss before income taxes excluding allocated overhead expenses for the quarter was $9.0 million compared to income before income taxes of $10.1 million in the same period a year ago. Reduced revenue in our Canadian wealth management business coupled with significant restructuring costs as a result of the branch closures was the main contributor to the loss before income taxes.

First-half fiscal year 2013 vs. first-half fiscal year 2012

Revenue from Canaccord Wealth Management was $114.8 million during the first half of fiscal 2013, an increase of $12.6 million from the same period in the prior year. This growth was attributable to our expanded wealth management practice in the UK and Europe, and, to a smaller degree, in Australia. Revenue generated in the UK and Europe and in Australia during the first half of fiscal 2012 was $40.3 million and $2.0 million, respectively.

Expenses for the six months ended September 30, 2012 were $119.7 million, up $38.9 million or 48.1% from the same period in the prior year. Incentive compensation expense increased $3.6 million or 6.8%, in line with the 12.4% growth in total revenue. Salaries and benefits expense was $4.7 million higher due to reasons discussed above. The total compensation expense payout as a percentage of revenue for the first six months of fiscal 2013 was 58.8%, a slight increase of 0.8 percentage points from 58.0% for the same period a year ago.

General and administrative expense in the Canadian wealth management operations increased by $2.4 million or 39.7% as a result of an increase in client settlement expense. The remaining increase in other overhead expenses relates to the expansion of operations through the acquisition of CSHP.

Loss before income taxes excluding allocated overhead expenses for the first half of fiscal 2013 was $4.9 million compared to income before income taxes of $21.4 million for the same period a year ago.

CORPORATE AND OTHER

<table>
<thead>
<tr>
<th>(C$ thousands, except employees and % amounts)</th>
<th>Three months ended September 30</th>
<th>Quarter-over-quarter change</th>
<th>Six months ended September 30</th>
<th>YTD-over-YTD change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
<td>2011</td>
<td></td>
<td>2012</td>
</tr>
<tr>
<td>Revenue</td>
<td>$10,003</td>
<td>$2,636</td>
<td>279.5%</td>
<td>$14,897</td>
</tr>
<tr>
<td>Incentive compensation</td>
<td>47</td>
<td>1,186</td>
<td>(96.0)%</td>
<td>(111)</td>
</tr>
<tr>
<td>Salaries and benefits</td>
<td>7,062</td>
<td>7,454</td>
<td>(5.3)%</td>
<td>15,193</td>
</tr>
<tr>
<td>Other overhead expenses</td>
<td>5,051</td>
<td>6,904</td>
<td>(26.8)%</td>
<td>10,990</td>
</tr>
<tr>
<td>Restructuring costs</td>
<td>900</td>
<td>—</td>
<td>n.m.</td>
<td>900</td>
</tr>
<tr>
<td>Acquisition-related costs</td>
<td>—</td>
<td>1,513</td>
<td>(100.0)%</td>
<td>—</td>
</tr>
<tr>
<td>Total expenses</td>
<td>13,060</td>
<td>17,057</td>
<td>(23.4)%</td>
<td>26,972</td>
</tr>
<tr>
<td>Loss before income taxes(2)</td>
<td>(3,057)</td>
<td>(14,421)</td>
<td>78.8%</td>
<td>(12,075)</td>
</tr>
<tr>
<td>Number of employees</td>
<td>343</td>
<td>384</td>
<td>(10.7)%</td>
<td></td>
</tr>
</tbody>
</table>

(1) Data is in accordance with IFRS except for number of employees.
(2) Loss before income taxes excludes intersegment allocated costs. See the Intersegment Allocated Costs section on page 22.

This segment, described as Corporate and Other, includes revenues and expenses associated with providing correspondent brokerage services, bank and other interest revenue, foreign exchange gains and losses, and expenses not specifically allocable to either the Canaccord Genuity or Canaccord Wealth Management divisions. Also included in this segment are Canaccord’s 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.
Second quarter 2013 vs. second quarter 2012

Revenue for the three months ended September 30, 2012 was $10.0 million, an increase of 279.5% or $7.4 million from the same quarter a year ago. The change was mainly related to a $7.4 million increase in foreign exchange gains recognized in Q2/13 due to the fluctuation of the Canadian dollar. The Company recognized in other revenue $0.9 million net realized gain for the sale of its investment in Alternative Alpha Trading System (Alpha).

Expenses for Q2/13 went down by $4.0 million or 23.4% to $13.1 million, mainly due to reduced incentive compensation, and general and administrative expense. Incentive compensation expense decreased $1.1 million as a result of lower group profitability. General and administrative expense decreased due to cost containment efforts in this segment. Acquisition-related costs also decreased by $1.5 million as the Company incurred $1.5 million of acquisition-related costs in Q2/12 to facilitate potential acquisitions that were not pursued. These decreases were partially offset by a $0.9 million restructuring cost in Q2/13 in relation to the staffing reductions made to better align the Company’s resources with the current market conditions.

Overall, loss before income taxes was $3.1 million in Q2/13 compared to $14.4 million in the same quarter a year ago.

First-half fiscal year 2013 vs. first-half fiscal year 2012

Revenue was $14.9 million, an increase of $4.6 million, primarily attributable to higher foreign exchange gains in first-half fiscal year 2013 and the net realized gain for the sale of Alpha discussed above. The appreciation of the Canadian dollar during the first half of fiscal year 2013 resulted in foreign exchange gains reported in this period.

Expenses for the first half of fiscal 2013 were $27.0 million, a decrease of $9.6 million. Incentive compensation expense decreased $4.5 million or 102.5% due to lower group profitability. General and administrative expense and acquisition-related costs also contributed to the decrease, for reasons stated above.

Overall, loss before income taxes was $12.1 million compared to $26.3 million for the same period a year ago.

Intersegment Allocated Costs

Included in the Corporate and Other segment are certain trade processing, support services, research and other expenses that have been incurred to support the activities within the Canaccord Genuity and Canaccord Wealth Management segments. Excluding executive incentive compensation and certain administrative support, foreign exchange gains and losses, and net interest, management has determined that allocable costs from Corporate and Other to Canaccord Wealth Management were $9.2 million and to Canaccord Genuity were $2.5 million for the three months ended September 30, 2012. For the six months ended September 30, 2012, $19.9 million was allocated to Canaccord Wealth Management and $4.2 million to Canaccord Genuity.

Financial Condition

Below are specific changes in selected items on the consolidated statement of financial position.

ASSETS

Cash and cash equivalents were $575.4 million on September 30, 2012 compared to $814.2 million on March 31, 2012. Refer to the Liquidity and Capital Resources section on page 23 for more details.

Securities owned were $1.1 billion on September 30, 2012, a decrease of $84.7 million from $1.2 billion on March 31, 2012 due to a drop in corporate and government debt.

Accounts receivable were $2.8 billion at September 30, 2012 compared to $3.1 billion at March 31, 2012, mainly due to a decrease in receivables from clients, as a result of reduced activity levels.

Goodwill was $471.3 million and intangible assets were $145.1 million at September 30, 2012, representing the goodwill and intangible assets acquired from the purchases of Genuity, The Balloch Group, a 50% interest in Canaccord Genuity (Australia) Limited (formerly Canaccord BGF), CSHP, and Kenosis Capital. At March 31, 2012, goodwill was $472.5 million and intangible assets were $149.5 million. The changes in the intangible assets balance primarily relate to the amortization of intangible assets, net against a $7.0 million increase as a result of the assets purchased from Kenosis Capital. The change in goodwill balance was mainly a result of fluctuations in the foreign exchange rates used to translate goodwill balances denominated in foreign currencies.

Other assets, consisting of income taxes receivable, deferred tax assets, equipment and leasehold improvements, and investments, were $72.5 million compared to $72.8 million at March 31, 2012. The slight decrease in other assets is mainly due to the sale of investment in Alpha, net against higher income taxes receivable and deferred tax assets as at September 30, 2012. The higher tax balances were mainly due to tax payments and temporary differences recognized in various jurisdictions.
LIABILITIES

Bank overdrafts and call loan facilities utilized by Canaccord may vary significantly on a day-to-day basis and depend on securities trading activity. At September 30, 2012, Canaccord had available credit facilities with banks in Canada and the UK in the aggregate amount of $650.0 million [March 31, 2012 – $650.4 million]. These credit facilities, consisting of call loans, subordinated debt, letters of credit and daylight overdraft facilities, are collateralized by either unpaid client securities and/or securities owned by the Company. On September 30, 2012, there was $29.5 million outstanding, compared to $75.1 million on March 31, 2012.

The Company entered into a $150.0 million senior secured credit agreement to finance a portion of the cash consideration for its acquisition of CSHP. This credit facility was repaid in full by May 22, 2012.

Securities sold short were $847.7 million at September 30, 2012 compared to $914.6 million at March 31, 2012 due to a decrease in holdings of short positions in corporate and government debt.

Accounts payable, including provisions, were $3.2 billion at September 30, 2012, a decrease from $3.6 billion on March 31, 2012, mainly due to a decrease in payables to clients.

Other liabilities, including subordinated debt and deferred tax liabilities, were $18.9 million at September 30, 2012 compared to $23.1 million at March 31, 2012. The slight decrease was mainly due to lower deferred tax liabilities. The Company also accrued a contingent consideration of $6.0 million in relation to the purchase of assets and liabilities from Kenosis Capital.

Non-controlling interests were $16.0 million at September 30, 2012 compared to $17.5 million on March 31, 2012, which represents 50% of the net assets of our operations in Australia.

Off-Balance Sheet Arrangements

A subsidiary of the Company has entered into irrevocable secured standby letters of credit from a financial institution totalling $1.9 million (US$1.9 million) [March 31, 2012 – $1.9 million (US$1.9 million)] as rent guarantees for its leased premises in Boston and New York.

Liquidity and Capital Resources

Canaccord has a capital structure comprised of preferred shares, common shares, contributed surplus, retained earnings and accumulated other comprehensive loss. On September 30, 2012, cash and cash equivalents were $575.4 million, a decrease of $238.9 million from $814.3 million as of March 31, 2012. During the six months ended September 30, 2012, financing activities used cash in the amount of $145.6 million, mainly due to the repayment of the $150.0 million short term credit facility and a $45.7 million change in bank indebtedness, netted against the issuance of Series C Preferred Shares of $94.8 million. In addition, financing activities also used cash for the acquisition of common shares for LTIP awards of $14.9 million, for the purchase of share loans of $12.6 million, and cash dividends paid for common and preferred shares of $17.4 million. Investing activities used cash in the amount of $1.5 million, related to the purchase of equipment and leasehold improvements. Operating activities used cash in the amount of $92.6 million, which was largely due to decreases in accounts payable, provisions, and accrued liabilities, offset by a decrease in accounts receivable, as well as other changes in non-cash working capital items. An increase in cash of $0.8 million was attributable to the effect of foreign exchange on cash balances. In total, there was a decrease in net cash of $238.9 million compared to March 31, 2012.

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

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 Canaccord’s long term contractual obligations on September 30, 2012:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Premises and equipment operating leases</td>
<td>$229,160</td>
<td>$33,817</td>
<td>$54,617</td>
<td>$50,106</td>
<td>$90,620</td>
</tr>
</tbody>
</table>
Management’s Discussion and Analysis

Preferred Shares

SERIES A PREFERRED SHARES

The Company issued 4,540,000 Cumulative 5-Year Rate Reset First Preferred Shares, Series A (Series A Preferred Shares) at a purchase price of $25.00 per share, for gross proceeds of $113.5 million during the year ended March 31, 2012. Quarterly cumulative cash dividends, if declared, will be paid at an annual rate of 5.5% for the initial five-year period ending on September 30, 2016. Thereafter, the dividend rate will be reset every five years at a rate equal to the five-year Government of Canada bond yield plus 3.21%.

Holders of Series A Preferred Shares have the right, at their option, to convert any or all of their shares into an equal number of Cumulative Floating Rate First Preferred Shares, Series B (Series B Preferred Shares), subject to certain conditions, on September 30, 2016 and on September 30 every five years thereafter. Holders of the Series B Preferred Shares will be entitled to receive floating rate, cumulative, preferential dividends payable quarterly, if declared, at a rate equal to the three-month Government of Canada Treasury Bill yield plus 3.21%.

The Company has the option to redeem the Series A Preferred Shares on September 30, 2016 and on September 30 every five years thereafter, in whole or in part, at $25.00 per share together with all declared and unpaid dividends. The Series B Preferred Shares are redeemable at the Company’s option on September 30, 2021 and on September 30 every five years thereafter, in whole or in part, at $25.00 per share together with all declared and unpaid dividends.

As of November 7, 2012, there were 4,540,000 Series A Preferred Shares issued and outstanding.

SERIES C PREFERRED SHARES

On April 10, 2012, the Company issued 4,000,000 Cumulative 5-Year Rate Reset First Preferred Shares, Series C (Series C Preferred Shares) at a purchase price of $25.00 per share, for gross proceeds of $100 million. Quarterly cumulative cash dividends, if declared, will be paid at an annual rate of 5.75% for the initial five-year period ending on June 30, 2017. Thereafter, the dividend rate will be reset every five years at a rate equal to the five-year Government of Canada bond yield plus 4.03%.

Holders of Series C Preferred Shares have the right, at their option, to convert any or all of their shares into an equal number of Cumulative Floating Rate First Preferred Shares, Series D (Series D Preferred Shares), subject to certain conditions, on June 30, 2017 and on June 30 every five years thereafter. Holders of the Series D Preferred Shares will be entitled to receive floating rate, cumulative, preferential dividends payable quarterly, if declared, at a rate equal to the three-month Government of Canada Treasury Bill yield plus 4.03%.

The Company has the option to redeem the Series C Preferred Shares on June 30, 2017 and on June 30 every five years thereafter, in whole or in part, at $25.00 per share together with all declared and unpaid dividends. The Series D Preferred Shares are redeemable at the Company’s option on June 30, 2022 and on June 30 every five years thereafter, in whole or in part, at $25.00 per share together with all declared and unpaid dividends.

The net amount recognized after deducting issue costs, net of deferred taxes of $1.0 million, was $97.4 million. As of September 30, 2012, the Company held 106,794 shares in treasury at par value of $2.6 million.

As of November 7, 2012, there were 4,000,000 Series C Preferred Shares issued and outstanding.

Outstanding Share Data

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preferred shares</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series A – issued shares outstanding</td>
<td>4,540,000</td>
<td>4,000,000</td>
</tr>
<tr>
<td>Series C – issued shares outstanding</td>
<td>4,000,000</td>
<td>—</td>
</tr>
<tr>
<td>Common shares</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issued shares excluding unvested shares(1)</td>
<td>93,991,129</td>
<td>76,232,324</td>
</tr>
<tr>
<td>Issued shares outstanding(2)</td>
<td>102,381,448</td>
<td>83,321,696</td>
</tr>
<tr>
<td>Issued shares outstanding – diluted(3)</td>
<td>108,789,119</td>
<td>86,189,984</td>
</tr>
<tr>
<td>Average shares outstanding – basic</td>
<td>93,963,447</td>
<td>75,644,041</td>
</tr>
<tr>
<td>Average shares outstanding – diluted</td>
<td>102,096,163</td>
<td>84,175,154</td>
</tr>
</tbody>
</table>

(1) Excludes 2,840,557 outstanding unvested shares related to share purchase loans for recruitment and retention programs and 5,549,762 unvested shares purchased by an employee benefit trust for the LTIP.
(2) Includes 2,840,557 outstanding unvested shares related to share purchase loans for recruitment and retention programs and 5,549,762 unvested shares purchased by an employee benefit trust for the LTIP.
(3) Includes 6,407,671 of share issuance commitments.
In August 2012, the Company filed a notice for a normal course issuer bid (NCIB) to provide for the ability to purchase, at the Company's discretion, up to 3,000,000 of its common shares through the facilities of the TSX from August 13, 2012 to August 12, 2013. The purpose of the purchase of common shares under the NCIB is to enable the Company to acquire shares for cancellation. The shares that may be repurchased represent 2.93% of the Company's common shares outstanding at the time of the notice. In order to comply with the trading rules of the TSX and the conditions for trading under the EU Buy-back and Stabilisation Regulation, the daily purchases are limited to 40,468 common shares of the Company (which is the lesser of (a) 25% of the average daily trading volume of common shares of the Company on the TSX in the six calendar months from February 2012 to July 2012 and (b) 25% of the average daily trading volume of common shares of the Company on the TSX in the month of July 2012). Any shareholder may obtain a copy of the notice, without charge, by contacting the Company.

As of November 7, 2012, the Company has 102,381,448 common shares issued and outstanding.

Share-based Payment Plans

In addition to the share-based payment plans discussed in the 2012 Annual Report, the Company also established the CSH Inducement Plan, discussed below, during the six months ended September 30, 2012.

CSH INDUCEMENT PLAN

In connection with the acquisition of CSHP, the Company agreed to establish a retention plan for key CSHP staff. During the quarter ended September 30, 2012, the Company finalized the terms of this plan and communicated the plan arrangements to the relevant employees. In September 2012, the Company awarded 1,261,657 RSUs, which vest over a five-year period. In accordance with the plan, one-third of the total RSUs (420,560 RSUs) will vest under the terms of the existing LTIP and two-thirds of the total RSUs (841,097 RSUs) will vest under the terms of the new CSH Inducement Plan. Additional awards are expected to be awarded in the third quarter of fiscal 2013. On each vesting date, the RSUs entitle the awardee to receive cash or common shares of the Company. If at the vesting date the share price is less than $8.50 per share, then the Company, at its election, will either (a) pay cash to the employee equal to $8.50 multiplied by the number of RSUs issued, or (b) pay cash to the employee equal to the difference between $8.50 and the vesting date share price, multiplied by the number of RSUs issued plus an equivalent number of shares.

An additional 1,180,345 RSUs under this retention plan with a fair value of $10.0 million ($8.50 per share) are expected to be awarded during the quarter ended December 31, 2012 under the same terms and conditions.

International Financial Centre

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

Foreign Exchange

Canaccord 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 September 30, 2012, forward contracts outstanding to sell US dollars had a notional amount of US$4.8 million, a decrease of US$11.0 million from a year ago. Forward contracts outstanding to buy US dollars decreased $1.8 million from a year ago with a notional amount of US$12.5 million. The fair value of these contracts was nominal. Some of Canaccord's operations in the US, the UK and Europe, Australia, Singapore, 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.

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.

Security trades executed for employees, officers and directors of Canaccord 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 Canaccord.

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

Please see Note 19 of the March 31, 2012 Audited Annual Consolidated Financial Statements for further information on the compensation of and transactions with key management personnel. Note 15 of the unaudited interim condensed consolidated financial statements for the quarter ended September 30, 2012 also includes the accounts payable and accrued liabilities balance owed to key management personnel.

Business Combinations

[i] CSHP

On March 21, 2012, the Company acquired 100% of CSHP. The purchase price allocation included in Note 11 to the March 31, 2012 consolidated financial statements was disclosed as preliminary. The purchase price allocation was finalized in the first quarter of fiscal 2013; there were no subsequent amendments to the fair values of consideration paid or net assets acquired. The purchase price allocation did not include an element of contingent consideration. The preliminary allocation of goodwill to the various cash-generating units was finalized during the period ended June 30, 2012, with no subsequent amendments.

[ii] KENOSIS CAPITAL PARTNERS

Peter O’Malley has joined the Company as Chief Executive Officer of Canaccord Genuity Asia. Mr. O’Malley joins Canaccord from Kenosis Capital Partners, where he was Chief Executive and Founder. His investment banking team from Kenosis Capital also joins Canaccord in Hong Kong. On September 14, 2012, the Company signed an agreement with Kenosis Capital, a merchant bank and advisory group, to acquire certain assets and liabilities for cash consideration of $1.0 million and additional contingent cash consideration based upon the achievement of certain performance criteria. This transaction qualifies as a business combination under IFRS 3, “Business Combinations” (IFRS 3), and has been accounted for under the acquisition method. The transaction was completed on September 16, 2012.

The Company, on a preliminary basis, recorded identifiable intangible assets of $7.0 million related to this acquisition. This purchase price allocation is considered preliminary at this time. The fair value measurement of the contingent consideration and the allocation thereof is expected to be completed in the third quarter of fiscal 2013.

[iii] EDEN FINANCIAL LTD.

On October 1, 2012, subsequent to the second quarter fiscal 2013, the Company acquired the wealth management business of Eden Financial Ltd. (Eden), an owner-managed private client investment management business for purchase consideration of $20.3 million (£12.8 million), of which $12.2 million (£7.7 million) was paid on closing and $8.1 million (£5.1 million) is payable after 12 months, subject to achieving certain performance targets related to revenue. Further incentives of up to $6.3 million (£4.0 million) have also been set to reward further revenue growth and meet revenue mix targets.

The determination of the initial accounting for the business combination to be applied in the third quarter of fiscal 2013 is incomplete as the Company is in the process of determining the fair values of the assets and liabilities acquired. Further information will be disclosed in relation to the acquisition in the next quarterly report, when the estimate of the preliminary purchase price allocation has been determined.

Critical Accounting Policies and Estimates

The unaudited interim condensed consolidated financial statements for the quarter ended September 30, 2012 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 IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Therefore, actual results may differ from those estimates and assumptions. The significant estimates include share-based payments, income taxes, deferred tax assets associated with tax losses available for carryforward, impairment of goodwill, indefinite life intangible assets and other long-lived assets, allowance for credit losses, fair value of financial instruments, and provisions and contingent liabilities.

In particular, the assessment for impairment of goodwill and identifiable indefinite life intangible assets requires the use of management’s best estimates in order to determine fair values using discounted cash flow projections that employ the following key assumptions: future cash flows, growth projections and discount rates. Due to continuing economic uncertainties, interim impairment tests were performed for goodwill and indefinite life intangible assets for all cash-generating units as of September 30, 2012.

Refer to Note 9 of the unaudited interim condensed consolidated financial statements for the quarter ended September 30, 2012 for further information regarding the key assumptions used when conducting the September 30, 2012 interim impairment tests of goodwill and indefinite life intangible assets.
Management’s Discussion and Analysis

Significant accounting policies used and policies requiring management’s judgment and estimates have not changed during the second quarter of 2013 and are discussed under “Critical Accounting Policies and Estimates” in our 2012 Annual Report.

Future Changes in Accounting Policies and Estimates

There have been no further updates to the “Future Changes in Accounting Policies and Estimates” disclosed in our 2012 Annual Report, during the six months ended September 30, 2012. The Company is currently evaluating the impact these developments will have on its consolidated financial statements and assessing whether to early adopt any of the new requirements.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

DISCLOSURE CONTROLS AND PROCEDURES

Based on an evaluation performed as of March 31, 2012, the President & CEO and the Executive Vice President & CFO concluded that the design and operation of our disclosure controls and procedures were effective as defined under National Instrument 52-109, except in the scope limitation noted below, which exists as a result of the purchase of CSHP.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

Management, including the President & CEO and the Executive Vice President & CFO, has designed internal control over financial reporting as defined under National Instrument 52-109 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. An evaluation of the Company’s internal control over financial reporting was performed as of March 31, 2012. Based on that evaluation, the President & CEO and the Executive Vice President & CFO concluded that the Company’s internal control over financial reporting was designed and operating effectively and that there were no material weaknesses in our internal control over financial reporting, except in the scope limitation noted below, which existed as a result of the purchase of CSHP.

National Instrument 52-109 allows for a scope limitation on the design of disclosure controls and procedures and internal control over financial reporting to exclude controls, policies and procedures in respect of any business acquired not more than 365 days before the end of the relevant financial period.

At March 31, 2012, the acquisition of CSHP, which closed on March 21, 2012, had been excluded from the assessment of the Company’s disclosure controls and procedures, as the operations of the former CSHP entities were not yet integrated into the Company’s internal controls, policies and procedures. For the three months ended September 30, 2012, the Company has included operations for the former CSHP entities as part of its fiscal 2013 assessment; however, management has not yet been able to complete its evaluation on the effectiveness of the disclosure controls and procedures, and internal control over financial reporting.

There were no changes in internal control over financial reporting that occurred during the period ended September 30, 2012 that have materially affected, or are reasonably likely to materially affect, Canaccord’s 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, Canaccord’s financial condition, results of operations, capital requirements and such other factors as the Board determines to be relevant.

Dividend Declaration

On November 7, 2012, the Board of Directors approved a quarterly dividend of $0.05 per common share payable on December 10, 2012, with a record date of November 30, 2012. The Board of Directors also approved a cash dividend of $0.34375 per Series A Preferred Share payable on December 31, 2012 with a record date of December 14, 2012; and $0.359375 per Series C Preferred Share payable on December 31, 2012 with a record date of December 14, 2012.

Historical Quarterly Information

Canaccord’s revenue from an underwriting transaction is recorded only when the transaction has closed. Consequently, the timing of revenue recognition can materially affect Canaccord’s quarterly results. The expense structure of Canaccord’s operations is designed to provide service and coverage in the current market environment. Canaccord has experienced losses in the past few quarters as a result of a drop in general capital markets activity resulting from uncertainties in the global financial markets.
The following table provides selected quarterly financial information for the eight most recently completed financial quarters ended September 30, 2012. 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.

<table>
<thead>
<tr>
<th>(C$ thousands, except per share amounts)</th>
<th>Fiscal 2013</th>
<th>Fiscal 2012</th>
<th>Fiscal 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q2</td>
<td>Q1</td>
<td>Q4</td>
</tr>
<tr>
<td>Revenue</td>
<td>118,957</td>
<td>100,457</td>
<td>113,067</td>
</tr>
<tr>
<td>Canaccord Genuity</td>
<td>118,957</td>
<td>100,457</td>
<td>113,067</td>
</tr>
<tr>
<td>Canaccord Wealth Management</td>
<td>57,639</td>
<td>57,198</td>
<td>54,524</td>
</tr>
<tr>
<td>Corporate and Other</td>
<td>10,003</td>
<td>4,894</td>
<td>10,101</td>
</tr>
<tr>
<td>Total revenue</td>
<td>186,599</td>
<td>162,549</td>
<td>177,692</td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>(14,841)</td>
<td>(20,622)</td>
<td>(31,794)</td>
</tr>
<tr>
<td>Earnings (loss) per common share – basic</td>
<td>(0.19)</td>
<td>(0.24)</td>
<td>(0.42)</td>
</tr>
<tr>
<td>Earnings (loss) per common share – diluted</td>
<td>(0.19)</td>
<td>(0.24)</td>
<td>(0.42)</td>
</tr>
</tbody>
</table>

**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 Canaccord’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 Canaccord’s profitability. An investment in the common or preferred shares of Canaccord involves a number of risks, including market, liquidity, credit, operational, legal and regulatory risks, which could be substantial and are inherent in Canaccord’s business. Canaccord is also directly exposed to market price risk, liquidity risk and volatility risk as a result of its principal trading activities in equity securities and to interest rate risk and credit spread risk as a result of its principal trading in fixed income securities. Canaccord 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 Canaccord’s market activity and the impact that these factors have on Canaccord’s operating results and financial position.

The financial services business is subject to extensive regulation in Canada, the US, the UK and Europe, Australia and elsewhere. Compliance with many of the regulations applicable to Canaccord 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 Canaccord’s business and profitability. The Company has a capital management framework to maintain the level of capital that will meet the Company’s regulated subsidiaries’ target ratios as set out by the respective regulators, to fund current and future operations, to ensure that the firm is able to meet its financial obligations as they come due, and to support the creation of shareholder value. The regulatory bodies that govern the Company’s subsidiaries’ use of regulatory capital are listed in Note 21 of Canaccord’s 2012 Audited Annual Consolidated Financial Statements.

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

**Additional Information**

A comprehensive discussion of Canaccord’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 2012 Annual Report, which are available on our website at www.canaccordfinancial.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)

<table>
<thead>
<tr>
<th></th>
<th>Notes</th>
<th>September 30, 2012</th>
<th>March 31, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td></td>
<td>$ 575,367</td>
<td>$ 814,238</td>
</tr>
<tr>
<td>Securities owned</td>
<td>4</td>
<td>1,087,334</td>
<td>1,171,988</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>6</td>
<td>2,750,879</td>
<td>3,081,640</td>
</tr>
<tr>
<td>Income taxes receivable</td>
<td></td>
<td>15,120</td>
<td>8,301</td>
</tr>
<tr>
<td>Total current assets</td>
<td></td>
<td>4,428,700</td>
<td>5,076,167</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td></td>
<td>6,077</td>
<td>3,959</td>
</tr>
<tr>
<td>Investments</td>
<td>7</td>
<td>3,247</td>
<td>9,493</td>
</tr>
<tr>
<td>Equipment and leasehold improvements</td>
<td></td>
<td>48,013</td>
<td>51,084</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>9</td>
<td>145,106</td>
<td>149,510</td>
</tr>
<tr>
<td>Goodwill</td>
<td>9</td>
<td>471,338</td>
<td>472,510</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td></td>
<td>$ 5,102,481</td>
<td>$ 5,762,723</td>
</tr>
</tbody>
</table>

| **LIABILITIES AND SHAREHOLDERS’ EQUITY** |       |                    |                |
| **Current**                   |       |                    |                |
| Bank indebtedness            |       | $ 29,475           | $ 75,141       |
| Short term credit facility   | 5     | —                  | 150,000        |
| Securities sold short        | 4     | 847,665            | 914,649        |
| Accounts payable and accrued liabilities | 6  | 3,130,138          | 3,550,600      |
| Provisions                   | 18    | 20,442             | 39,666         |
| Subordinated debt            |       | 15,000             | 15,000         |
| **Total current liabilities**|       | 4,042,720          | 4,745,056      |
| Contingent consideration     | 8     | 6,000              | —              |
| Deferred tax liabilities     |       | 3,872              | 8,088          |
| **Total current liabilities**|       | 4,052,592          | 4,753,144      |

**Shareholders’ equity**

<table>
<thead>
<tr>
<th></th>
<th>Notes</th>
<th>September 30, 2012</th>
<th>March 31, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preferred shares</td>
<td>11</td>
<td>205,641</td>
<td>110,818</td>
</tr>
<tr>
<td>Common shares</td>
<td>12</td>
<td>637,590</td>
<td>623,739</td>
</tr>
<tr>
<td>Contributed surplus</td>
<td></td>
<td>63,292</td>
<td>68,336</td>
</tr>
<tr>
<td>Retained earnings</td>
<td></td>
<td>125,010</td>
<td>180,748</td>
</tr>
<tr>
<td>Accumulated other comprehensive income</td>
<td></td>
<td>2,309</td>
<td>8,484</td>
</tr>
<tr>
<td><strong>Total shareholders’ equity</strong></td>
<td></td>
<td>1,033,842</td>
<td>992,125</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td></td>
<td>16,047</td>
<td>17,454</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td></td>
<td>1,049,889</td>
<td>1,009,579</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>$ 5,102,481</td>
<td>$ 5,762,723</td>
</tr>
</tbody>
</table>

See accompanying notes

On behalf of the Board:

[Signatures]

PAUL D. REYNOLDS
Director

TERRENCE A. LYONS
Director
### Unaudited Interim Condensed Consolidated Statements of Operations

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commission</td>
<td>$87,145</td>
<td>$60,299</td>
<td>$175,595</td>
<td>$121,327</td>
</tr>
<tr>
<td>Investment banking</td>
<td>37,875</td>
<td>29,799</td>
<td>66,504</td>
<td>89,657</td>
</tr>
<tr>
<td>Advisory fees</td>
<td>28,571</td>
<td>21,664</td>
<td>54,197</td>
<td>44,195</td>
</tr>
<tr>
<td>Principal trading</td>
<td>17,109</td>
<td>(1,379)</td>
<td>24,966</td>
<td>574</td>
</tr>
<tr>
<td>Interest</td>
<td>6,758</td>
<td>7,590</td>
<td>15,150</td>
<td>15,447</td>
</tr>
<tr>
<td>Other</td>
<td>9,141</td>
<td>1,527</td>
<td>12,746</td>
<td>8,083</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>186,599</td>
<td>119,500</td>
<td>349,148</td>
<td>279,283</td>
</tr>
<tr>
<td><strong>EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Incentive compensation</td>
<td>94,514</td>
<td>61,838</td>
<td>179,290</td>
<td>139,452</td>
</tr>
<tr>
<td>Salaries and benefits</td>
<td>21,417</td>
<td>14,163</td>
<td>44,615</td>
<td>31,280</td>
</tr>
<tr>
<td>Trading costs</td>
<td>10,189</td>
<td>7,742</td>
<td>22,776</td>
<td>16,707</td>
</tr>
<tr>
<td>Premises and equipment</td>
<td>10,842</td>
<td>6,727</td>
<td>21,696</td>
<td>13,559</td>
</tr>
<tr>
<td>Communication and technology</td>
<td>11,280</td>
<td>6,752</td>
<td>25,585</td>
<td>13,141</td>
</tr>
<tr>
<td>Interest</td>
<td>3,291</td>
<td>1,967</td>
<td>7,842</td>
<td>4,375</td>
</tr>
<tr>
<td>General and administrative</td>
<td>20,957</td>
<td>16,263</td>
<td>44,973</td>
<td>32,537</td>
</tr>
<tr>
<td>Amortization</td>
<td>7,755</td>
<td>2,947</td>
<td>15,891</td>
<td>5,852</td>
</tr>
<tr>
<td>Development costs</td>
<td>4,515</td>
<td>5,041</td>
<td>9,140</td>
<td>10,571</td>
</tr>
<tr>
<td>Restructuring costs</td>
<td>18</td>
<td>18,862</td>
<td>—</td>
<td>18,862</td>
</tr>
<tr>
<td>Acquisition-related costs</td>
<td>1,288</td>
<td>2,956</td>
<td>1,288</td>
<td>2,956</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>204,910</td>
<td>126,396</td>
<td>391,958</td>
<td>270,430</td>
</tr>
<tr>
<td><strong>(Loss) income before income taxes</strong></td>
<td>(18,311)</td>
<td>(6,896)</td>
<td>(42,810)</td>
<td>8,853</td>
</tr>
<tr>
<td>Income taxes (recovery)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current</td>
<td>10</td>
<td>(21)</td>
<td>(2,297)</td>
<td>2,451</td>
</tr>
<tr>
<td>Deferred</td>
<td>10</td>
<td>(3,449)</td>
<td>(5,050)</td>
<td>(1,515)</td>
</tr>
<tr>
<td><strong>Total Income Taxes (Recovery)</strong></td>
<td>(3,470)</td>
<td>(1,618)</td>
<td>(7,347)</td>
<td>936</td>
</tr>
<tr>
<td><strong>Net (loss) income for the period</strong></td>
<td>$ (14,841)</td>
<td>$ (5,278)</td>
<td>$(35,463)</td>
<td>$ 7,917</td>
</tr>
<tr>
<td>Net (loss) income attributable to:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CFI shareholders</td>
<td>$ (14,562)</td>
<td>$ (5,278)</td>
<td>$(34,529)</td>
<td>$ 7,917</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>$ (279)</td>
<td>—</td>
<td>$(934)</td>
<td>—</td>
</tr>
<tr>
<td><strong>Weighted average number of common shares outstanding (thousands)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>93,716</td>
<td>76,073</td>
<td>93,963</td>
<td>75,644</td>
</tr>
<tr>
<td>Diluted</td>
<td>102,235</td>
<td>83,922</td>
<td>102,096</td>
<td>84,175</td>
</tr>
<tr>
<td><strong>Net (loss) income per common share</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>12iii</td>
<td>$ (0.19)</td>
<td>$ (0.09)</td>
<td>$ (0.43)</td>
</tr>
<tr>
<td>Diluted</td>
<td>12iii</td>
<td>$ (0.19)</td>
<td>$ (0.09)</td>
<td>$ (0.43)</td>
</tr>
<tr>
<td>Dividend per common share</td>
<td>13</td>
<td>$ 0.05</td>
<td>$ 0.10</td>
<td>$ 0.10</td>
</tr>
<tr>
<td>Dividend per Series A Preferred Share</td>
<td>13</td>
<td>$ 0.34375</td>
<td>n/a</td>
<td>$ 0.6875</td>
</tr>
<tr>
<td>Dividend per Series C Preferred Share</td>
<td>13</td>
<td>$ 0.359375</td>
<td>n/a</td>
<td>$ 0.71875</td>
</tr>
</tbody>
</table>

See accompanying notes
## Unaudited Interim Condensed Consolidated Statements of Comprehensive Income (Loss)

<table>
<thead>
<tr>
<th>(in thousands of Canadian dollars)</th>
<th>For the three months ended</th>
<th>September 30, 2012</th>
<th>September 30, 2011</th>
<th>For the six months ended</th>
<th>September 30, 2012</th>
<th>September 30, 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net (loss) income for the period</td>
<td></td>
<td>$ (14,841)</td>
<td>$ (5,278)</td>
<td>$ (35,463)</td>
<td>$ 7,917</td>
<td></td>
</tr>
<tr>
<td>Other comprehensive income (loss)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfer of net realized gain on disposal of available for sale asset (net of tax: $234)</td>
<td></td>
<td>(700)</td>
<td>—</td>
<td>(700)</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Net change in unrealized gains (losses) on translation of foreign operations</td>
<td></td>
<td>(8,382)</td>
<td>8,359</td>
<td>(5,625)</td>
<td>7,670</td>
<td></td>
</tr>
<tr>
<td>Comprehensive income (loss) for the period</td>
<td></td>
<td>$ (23,923)</td>
<td>$ 3,081</td>
<td>$ (41,788)</td>
<td>$ 15,587</td>
<td></td>
</tr>
<tr>
<td>Comprehensive income (loss) attributable to:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CFI shareholders</td>
<td></td>
<td>$ (23,524)</td>
<td>$ 3,081</td>
<td>$ (40,704)</td>
<td>$ 15,587</td>
<td></td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td></td>
<td>$ (399)</td>
<td>—</td>
<td>$ (1,084)</td>
<td>—</td>
<td></td>
</tr>
</tbody>
</table>

See accompanying notes
## Unaudited Interim Condensed Consolidated Statements of Changes in Equity

As at and for the six months ended (in thousands of Canadian dollars)

<table>
<thead>
<tr>
<th>Notes</th>
<th>September 30, 2012</th>
<th>September 30, 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Preferred shares, opening</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$ 110,818</td>
<td>$ —</td>
</tr>
<tr>
<td><strong>Shares issued, net of share issuance costs</strong></td>
<td>11</td>
<td>97,450</td>
</tr>
<tr>
<td><strong>Shares held in treasury</strong></td>
<td>11</td>
<td>(2,627)</td>
</tr>
<tr>
<td><strong>Preferred shares, closing</strong></td>
<td></td>
<td>205,641</td>
</tr>
<tr>
<td><strong>Common shares, opening</strong></td>
<td></td>
<td>623,739</td>
</tr>
<tr>
<td>Shares issued in connection with share-based payments</td>
<td></td>
<td>7,278</td>
</tr>
<tr>
<td>Acquisition of common shares for long-term incentive plan</td>
<td></td>
<td>(14,872)</td>
</tr>
<tr>
<td>Release of vested common shares from employee benefit trust</td>
<td></td>
<td>12,450</td>
</tr>
<tr>
<td>Cancellation of shares in connection with the acquisition of Genuity Capital Markets</td>
<td></td>
<td>—</td>
</tr>
<tr>
<td>Net unvested share purchase loans</td>
<td></td>
<td>8,995</td>
</tr>
<tr>
<td><strong>Common shares, closing</strong></td>
<td></td>
<td>637,590</td>
</tr>
<tr>
<td>Contributed surplus, opening</td>
<td></td>
<td>68,336</td>
</tr>
<tr>
<td>Share-based payments</td>
<td></td>
<td>1,692</td>
</tr>
<tr>
<td>Cancellation of shares in connection with the acquisition of Genuity Capital Markets</td>
<td></td>
<td>—</td>
</tr>
<tr>
<td>Unvested share purchase loans</td>
<td></td>
<td>(6,736)</td>
</tr>
<tr>
<td><strong>Contributed surplus, closing</strong></td>
<td></td>
<td>63,292</td>
</tr>
<tr>
<td>Retained earnings, opening</td>
<td></td>
<td>180,748</td>
</tr>
<tr>
<td>Net (loss) income attributable to CFI shareholders</td>
<td></td>
<td>(34,529)</td>
</tr>
<tr>
<td>Preferred shares dividends</td>
<td>13</td>
<td>(5,835)</td>
</tr>
<tr>
<td>Common shares dividends</td>
<td>13</td>
<td>(15,374)</td>
</tr>
<tr>
<td><strong>Retained earnings, closing</strong></td>
<td></td>
<td>125,010</td>
</tr>
<tr>
<td>Accumulated other comprehensive income (loss), opening</td>
<td></td>
<td>8,484</td>
</tr>
<tr>
<td>Other comprehensive income (loss) attributable to CFI shareholders</td>
<td></td>
<td>(6,175)</td>
</tr>
<tr>
<td>Accumulated other comprehensive income, closing</td>
<td></td>
<td>2,309</td>
</tr>
<tr>
<td><strong>Total shareholders' equity</strong></td>
<td></td>
<td>1,033,842</td>
</tr>
<tr>
<td>Non-controlling interests, opening</td>
<td></td>
<td>17,454</td>
</tr>
<tr>
<td>Foreign exchange on non-controlling interests</td>
<td></td>
<td>(323)</td>
</tr>
<tr>
<td>Comprehensive loss attributable to non-controlling interests</td>
<td></td>
<td>(1,084)</td>
</tr>
<tr>
<td><strong>Non-controlling interests, closing</strong></td>
<td></td>
<td>16,047</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td></td>
<td>$ 1,049,889</td>
</tr>
</tbody>
</table>

See accompanying notes
### Unaudited Interim Condensed Consolidated Statements of Cash Flows

For the six months ended (in thousands of Canadian dollars)

<table>
<thead>
<tr>
<th>Notes</th>
<th>September 30, 2012</th>
<th>September 30, 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net (loss) income for the period</td>
<td>$(35,463)</td>
<td>$7,917</td>
</tr>
<tr>
<td>Items not affecting cash</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amortization</td>
<td>15,891</td>
<td>5,852</td>
</tr>
<tr>
<td>Deferred income tax recovery</td>
<td>(5,050)</td>
<td>(1,515)</td>
</tr>
<tr>
<td>Share-based compensation expense</td>
<td>14</td>
<td>29,299</td>
</tr>
<tr>
<td>Changes in non-cash working capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decrease (increase) in securities owned</td>
<td>80,930</td>
<td>(368,641)</td>
</tr>
<tr>
<td>Decrease (increase) in accounts receivable</td>
<td>344,393</td>
<td>(426,889)</td>
</tr>
<tr>
<td>Increase in income taxes receivable</td>
<td>(7,095)</td>
<td>(43,203)</td>
</tr>
<tr>
<td>(Decrease) increase in securities sold short</td>
<td>(66,047)</td>
<td>394,224</td>
</tr>
<tr>
<td>(Decrease) increase in accounts payable, accrued liabilities and provisions</td>
<td>(449,425)</td>
<td>92,129</td>
</tr>
<tr>
<td>Cash used by operating activities</td>
<td>(92,567)</td>
<td>(317,240)</td>
</tr>
<tr>
<td><strong>FINANCING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repayment of short term credit facility</td>
<td>(150,000)</td>
<td>—</td>
</tr>
<tr>
<td>Issuance of preferred shares, net of share issuance costs</td>
<td>94,823</td>
<td>110,818</td>
</tr>
<tr>
<td>Acquisition of common shares for long-term incentive plan</td>
<td>(14,872)</td>
<td>(24,719)</td>
</tr>
<tr>
<td>Cash dividends paid on common shares</td>
<td>(14,520)</td>
<td>(16,748)</td>
</tr>
<tr>
<td>Cash dividends paid on preferred shares</td>
<td>(2,837)</td>
<td>(1,693)</td>
</tr>
<tr>
<td>Bank indebtedness</td>
<td>(45,667)</td>
<td>(13,580)</td>
</tr>
<tr>
<td>Issuance of shares in connection with share-based payments</td>
<td>—</td>
<td>555</td>
</tr>
<tr>
<td>(Decrease) increase in net vesting of share purchase loans</td>
<td>(12,563)</td>
<td>(3,945)</td>
</tr>
<tr>
<td>Cash (used) provided by financing activities</td>
<td>(145,636)</td>
<td>50,688</td>
</tr>
<tr>
<td><strong>INVESTING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of equipment and leasehold improvements</td>
<td>(1,486)</td>
<td>(5,604)</td>
</tr>
<tr>
<td>Cash used in investing activities</td>
<td>(1,486)</td>
<td>(5,604)</td>
</tr>
<tr>
<td>Effect of foreign exchange on cash balances</td>
<td>818</td>
<td>9,202</td>
</tr>
<tr>
<td>Decrease in cash position</td>
<td>(238,871)</td>
<td>(262,954)</td>
</tr>
<tr>
<td>Cash position, beginning of period</td>
<td>814,238</td>
<td>954,068</td>
</tr>
<tr>
<td>Cash position, end of period</td>
<td>$575,367</td>
<td>$691,114</td>
</tr>
</tbody>
</table>

**Supplemental cash flow information**

<table>
<thead>
<tr>
<th></th>
<th>September 30, 2012</th>
<th>September 30, 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest received</td>
<td>$18,870</td>
<td>$15,320</td>
</tr>
<tr>
<td>Interest paid</td>
<td>$7,146</td>
<td>$4,145</td>
</tr>
<tr>
<td>Income taxes paid</td>
<td>$6,368</td>
<td>$47,075</td>
</tr>
</tbody>
</table>

See accompanying notes
Notes to Unaudited Interim Condensed Consolidated Financial Statements
(in thousands of Canadian dollars, except per share amounts)

**NOTE Corporate Information**

Through its principal subsidiaries, Canaccord Financial Inc. (the Company) is a leading independent, full-service investment dealer in Canada with capital markets operations in the United Kingdom (UK) and Europe, the United States of America (US), Australia, China, Hong Kong, Singapore and Barbados. Upon acquisition of Collins Stewart Hawkpoint plc (CSHP), the Company has also expanded its wealth management operations into the UK and Europe. 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 Financial Inc. was incorporated on February 14, 1997 by the filing of a memorandum and articles with the Registrar of Companies for British Columbia under the **Company Act** (British Columbia) and continues in existence under the **Business Corporations Act** (British Columbia). The Company's head office is located at Suite 2200 – 609 Granville Street, Vancouver, British Columbia, V7Y 1H2. The Company's registered office is located at Suite 1000 – 840 Howe Street, Vancouver, British Columbia, V6Z 2M1.

The Company's common shares are publicly traded under the symbol CF on the TSX and the symbol CF. on the main market of the London Stock Exchange. 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 is cyclical and 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, including the seasonal variance in these markets.

**NOTE 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 the 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, 2012 (March 31, 2012 consolidated financial statements) filed on SEDAR on May 23, 2012. All defined terms used herein are consistent with those terms defined in the March 31, 2012 consolidated financial statements.

The interim condensed consolidated financial statements have been prepared on an accrual basis and are based on the historical cost basis except for selected non-current assets and financial instruments, which have been measured at fair value as set out in the relevant accounting policies.

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

These unaudited interim condensed consolidated financial statements were authorized for issuance by the Company's Board of Directors on November 7, 2012.

**PRINCIPLES OF CONSOLIDATION**

These unaudited interim condensed consolidated financial statements include the accounts of the Company, its subsidiaries and special purpose entities (SPEs) where the Company controls these entities. The method adopted by the Company to consolidate its subsidiaries and SPEs is described in Note 2 of the March 31, 2012 consolidated financial statements.

**USE OF ESTIMATES AND ASSUMPTIONS**

The preparation of the unaudited interim condensed consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date. The significant estimates include share-based payments, income taxes, deferred tax assets associated with tax losses available
for carryforward, impairment of goodwill, indefinite life intangible assets and other long-lived assets, allowance for credit losses, fair value of financial instruments, and provisions, which are more fully described in Note 2 of the March 31, 2012 consolidated financial statements.

In particular, the assessment for impairment of goodwill and identifiable indefinite life intangible assets requires the use of management’s best estimates in order to determine fair values using discounted cash flow projections that employ the following key assumptions: future cash flows, growth projections and discount rates. Due to continuing economic uncertainties, interim impairment tests were performed for goodwill and indefinite life intangible assets for all cash-generating units as of September 30, 2012.

Refer to Note 9 for further information regarding the key assumptions used when conducting the September 30, 2012 interim impairment tests of goodwill and indefinite life intangible assets.

FUTURE ACCOUNTING DEVELOPMENTS

There have been no further updates to the future accounting developments disclosed in Note 3 of the March 31, 2012 consolidated financial statements, during the six months ended September 30, 2012.

NOTE Summary of Significant Accounting Policies

There were no significant changes in accounting policies, as discussed in Note 5 of the March 31, 2012 consolidated financial statements, during the six months ended September 30, 2012.

NOTE Securities Owned and Securities Sold Short

As at September 30, 2012, corporate and government debt maturities ranged from 2012 to 2062 [March 31, 2012 – 2012 to 2096] and bear interest ranging from 0.00% to 15.00% [March 31, 2012 – 0.00% to 13.00%].

NOTE Financial Instruments

A fair value hierarchy is presented below that distinguishes the significance of the inputs used in determining the fair value measurements of various financial instruments. The hierarchy contains the following levels: Level 1 uses quoted (unadjusted) prices in active markets for identical assets and liabilities, Level 2 uses other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly, and Level 3 uses techniques with inputs that have a significant effect on the recorded fair value and that are not based on observable market data.
Notes to Unaudited Interim Condensed Consolidated Financial Statements

Estimated fair value

<table>
<thead>
<tr>
<th>March 31, 2012</th>
<th>Level 1</th>
<th>March 31, 2012</th>
<th>Level 2</th>
<th>Level 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Securities owned</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate and government debt</td>
<td>$949,517</td>
<td>$425,655</td>
<td>$520,070</td>
<td>$3,792</td>
</tr>
<tr>
<td>Equities and convertible debentures</td>
<td>222,471</td>
<td>206,584</td>
<td>6,107</td>
<td>9,780</td>
</tr>
<tr>
<td>Securities sold short</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate and government debt</td>
<td>(824,466)</td>
<td>(535,117)</td>
<td>(289,349)</td>
<td>—</td>
</tr>
<tr>
<td>Equities and convertible debentures</td>
<td>(90,183)</td>
<td>(89,135)</td>
<td>(1,048)</td>
<td>—</td>
</tr>
<tr>
<td>Investments</td>
<td>9,493</td>
<td>—</td>
<td>—</td>
<td>9,493</td>
</tr>
</tbody>
</table>

Movement in Level 3 Financial Assets

- March 31, 2012: $23,065
- Purchases of Level 3 assets: $5,471
- Net unrealized loss during the period: $(163)
- Sales during the period: $(9,311)
- September 30, 2012: $19,062

SEcurities Lending and Borrowing

<table>
<thead>
<tr>
<th>Cash</th>
<th>Securities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loaned or delivered as collateral</td>
<td>Borrowed or received as collateral</td>
</tr>
<tr>
<td>Loaned or delivered as collateral</td>
<td>Borrowed or received as collateral</td>
</tr>
<tr>
<td>September 30, 2012</td>
<td>$137,662</td>
</tr>
<tr>
<td>March 31, 2012</td>
<td>120,781</td>
</tr>
</tbody>
</table>

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

SHORT TERM CREDIT FACILITY

The Company entered into a $150.0 million senior secured credit agreement to finance a portion of the cash consideration for its acquisition of CSHP. This credit facility was collateralized by guarantees, securities pledge agreements and equitable mortgages in the UK over the shares of the Company’s material subsidiaries. The balance outstanding as of March 31, 2012 was $150.0 million. This short term credit facility bore an interest rate of 3.75% per annum. On April 10, 2012, the net proceeds from the Series C Preferred Shares offering [Note 11] were used to partially repay $97.0 million of the $150.0 million short term credit facility. The balance of the short term credit facility was repaid in full on May 22, 2012.

ACCOUNTS RECEIVABLE

<table>
<thead>
<tr>
<th>September 30, 2012</th>
<th>March 31, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brokers and investment dealers</td>
<td>$1,800,343</td>
</tr>
<tr>
<td>Clients</td>
<td>374,935</td>
</tr>
<tr>
<td>RRSP cash balances held in trust</td>
<td>487,754</td>
</tr>
<tr>
<td>Other</td>
<td>87,847</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$2,750,879</strong></td>
</tr>
</tbody>
</table>
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

<table>
<thead>
<tr>
<th></th>
<th>September 30, 2012</th>
<th>March 31, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brokers and investment dealers</td>
<td>$1,895,813</td>
<td>$1,963,745</td>
</tr>
<tr>
<td>Clients</td>
<td>941,491</td>
<td>1,305,254</td>
</tr>
<tr>
<td>Other</td>
<td>292,834</td>
<td>281,601</td>
</tr>
<tr>
<td></td>
<td>$3,130,138</td>
<td>$3,550,600</td>
</tr>
</tbody>
</table>

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 [September 30, 2012 – 6.00% to 6.25% and 0.00% to 0.05%, respectively; March 31, 2012 – 6.00% to 6.25% and 0.00% to 0.05%, respectively].

As at September 30, 2012, the allowance for doubtful accounts was $17.1 million [March 31, 2012 – $13.4 million].

NOTE 7 Investments

The Company invested $5.0 million in a limited partnership as part of its initiative to operate an Alternative Alpha Trading System. During the six-month period ended September 30, 2012, the Company sold this investment for a net realized gain of $0.9 million as recognized in other revenue.

As a result of the acquisition of CSHP on March 21, 2012, the Company holds an investment in Euroclear, one of the principal clearing houses for securities traded in the Euromarket. The investment is carried at fair value, determined using a market approach.

NOTE 8 Business Combinations

[i] CSHP

On March 21, 2012, the Company acquired 100% of CSHP. The purchase price allocation included in Note 11 to the March 31, 2012 consolidated financial statements was disclosed as preliminary. The purchase price allocation was finalized in the first quarter of fiscal 2013; there were no subsequent amendments to the fair values of consideration paid or net assets acquired. The purchase price allocation did not include an element of contingent consideration. The preliminary allocation of goodwill to the various cash-generating units was finalized during the first quarter of fiscal 2013, with no subsequent amendments.

[ii] KENOSIS CAPITAL PARTNERS

On September 14, 2012, the Company signed an agreement with Kenosis Capital Partners (Kenosis Capital), a merchant bank and advisory group, to acquire certain assets and liabilities for cash consideration of $1.0 million and additional contingent cash consideration based upon the achievement of certain performance criteria. This transaction qualifies as a business combination under IFRS 3, “Business Combinations” (IFRS 3), and has been accounted for under the acquisition method. The transaction was completed on September 16, 2012.
The estimated fair value of the liability for contingent consideration is $6.0 million. The contingent consideration has to 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. The key assumption affecting the fair value is the probability that the performance target will be met.

The Company, on a preliminary basis, recorded identifiable intangible assets of $7.0 million related to this acquisition. This purchase price allocation is considered preliminary at this time. The fair value measurement of the contingent consideration and the allocation thereof is expected to be completed in the third quarter of fiscal 2013.

Contribution to revenue and net income by Kenosis Capital was not significant as it was acquired shortly before the end of the period. The Company has recognized $0.4 million of acquisition-related costs incurred by the Company in connection with the Kenosis Capital acquisition.

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

<table>
<thead>
<tr>
<th>Intangible assets with indefinite lives</th>
<th>Goodwill</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canaccord Genuity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Canada</td>
<td>$44,930</td>
<td>$44,930</td>
</tr>
<tr>
<td>UK and Europe</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>US</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Other Foreign Locations (China)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Other Foreign Locations (Australia)</td>
<td>194</td>
<td>197</td>
</tr>
<tr>
<td>Other Foreign Locations (Singapore)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Canaccord Wealth Management</td>
<td></td>
<td></td>
</tr>
<tr>
<td>UK and Europe</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>$45,124</td>
<td>$45,127</td>
</tr>
</tbody>
</table>

Goodwill and intangible assets with indefinite lives are tested for impairment annually (as 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 cash-generating unit to which goodwill and indefinite life intangible assets are allocated. Where the carrying amount of a cash-generating unit exceeds its recoverable amount, an impairment loss is recognized. Any impairment loss first reduces the carrying amount of any goodwill allocated to the cash-generating unit 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. As at September 30, 2012, the market capitalization of the Company was below the carrying value of its equity, indicating a potential impairment of goodwill. In addition, given ongoing economic uncertainty and the sensitivity of the recoverable amounts of cash-generating units to changes in key assumptions, interim goodwill and indefinite life intangible asset impairment tests were performed at September 30, 2012.

In accordance with IAS 36, the recoverable amounts of the cash-generating units’ net assets have been determined using value-in-use calculations, which are based on cash flow assumptions approved by senior management. There is a material degree of uncertainty with respect to the estimates of the recoverable amounts of the cash-generating units’ net assets given that these estimates involve making key assumptions about the future. In making such assumptions, management has used its best estimate of future economic and market conditions within the context of the Company’s capital markets and wealth management activities.

The value-in-use calculations are based on assumptions, as described above, made in connection with future cash flows, terminal growth rates and discount rates. In order to estimate the value-in-use for each cash-generating unit (CGU), cash flows are forecast over a five-year period, a terminal growth rate is applied and then such cash flows are discounted to their present value. The discount rate is based on the specific circumstances of the Company and is derived from the estimated weighted average cost of capital. The discount rate utilized for each CGU for the purposes of these calculations was 14% [March 31, 2012 – 12.5% to 20%]. Cash flow estimates for each CGU are based on management assumptions as described above and utilize compound annual growth rates ranging from 9% to 16% [March 31, 2012 – 15% to 32%] as well as estimates in respect of operating margins. The compound annual growth rates utilized were: (a) Canaccord Genuity (i) Canada – 10%, (ii) UK and Europe – 10%, (iii) US – 10%, (iv) Other Foreign Locations – 10% to 16%; and (b) Canaccord Wealth Management, UK and Europe – 9%. The terminal growth rate used for each CGU was 5% [March 31, 2012 – 3% to 5%].
Sensitivity testing was conducted as a part of the September 30, 2012 interim impairment test of goodwill and indefinite life intangible assets. The sensitivity testing includes assessing the impact that reasonably possible declines in growth rates and increases in the discount rate would have on the recoverable amount of the cash-generating units, with other assumptions being held constant.

The Company’s impairment testing has determined that the recoverable amount of the Other Foreign Locations (Australia) cash-generating unit exceeds its carrying amount by $8.1 million, and consequently, a reasonably possible decline in the growth rate or increase in the discount rate may result in an impairment charge in respect of the goodwill and indefinite life intangible assets allocated to this cash-generating unit. An increase of 1 percentage point in the discount rate, from 14% to 15%, or a reduction in the compound annual growth rate of 2 percentage points, from 16% to 14%, would result in the recoverable amount being equal to the carrying value.

### Income Taxes

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

<table>
<thead>
<tr>
<th></th>
<th>For the three months ended</th>
<th>For the six months ended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income taxes at the statutory rate (F2013: 25.0%; F2012: 25.8%)</td>
<td>$(4,641)</td>
<td>$(1,767)</td>
</tr>
<tr>
<td>Difference in tax rates in foreign jurisdictions</td>
<td>(424)</td>
<td>(288)</td>
</tr>
<tr>
<td>Non-deductible items affecting the determination of taxable income</td>
<td>1,030</td>
<td>854</td>
</tr>
<tr>
<td>Change in accounting and tax base estimate</td>
<td>539</td>
<td>(1,731)</td>
</tr>
<tr>
<td>Change in deferred tax asset – reversal period of temporary difference</td>
<td>(529)</td>
<td>(285)</td>
</tr>
<tr>
<td>Tax losses and other temporary differences not recognized</td>
<td>555</td>
<td>1,597</td>
</tr>
<tr>
<td>(utilization of tax losses previously not recognized)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income tax expense (recovery) – current and deferred</td>
<td>$(3,470)</td>
<td>$(1,618)</td>
</tr>
</tbody>
</table>

### Preferred Shares

<table>
<thead>
<tr>
<th></th>
<th>September 30, 2012</th>
<th>March 31, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>Number of shares</td>
</tr>
<tr>
<td>Series A Preferred Shares issued and outstanding</td>
<td>$110,818</td>
<td>4,540,000</td>
</tr>
<tr>
<td>Series C Preferred Shares issued and outstanding</td>
<td>97,450</td>
<td>4,000,000</td>
</tr>
<tr>
<td>Series C Preferred Shares held in treasury</td>
<td>(2,627)</td>
<td>(106,794)</td>
</tr>
<tr>
<td></td>
<td>94,823</td>
<td>3,893,206</td>
</tr>
<tr>
<td></td>
<td>$205,641</td>
<td>8,433,206</td>
</tr>
</tbody>
</table>

[i] **SERIES A PREFERRED SHARES**

The Company issued 4,540,000 Cumulative 5-Year Rate Reset First Preferred Shares, Series A (Series A Preferred Shares) at a purchase price of $25.00 per share, for gross proceeds of $113.5 million during the year ended March 31, 2012. Quarterly cumulative cash dividends, if declared, will be paid at an annual rate of 5.5% for the initial five-year period ending on September 30, 2016. Thereafter, the dividend rate will be reset every five years at a rate equal to the five-year Government of Canada bond yield plus 3.21%.

Holders of Series A Preferred Shares have the right, at their option, to convert any or all of their shares into an equal number of Cumulative Floating Rate First Preferred Shares, Series B (Series B Preferred Shares), subject to certain conditions, on September 30, 2016 and on September 30 every five years thereafter. Holders of the Series B Preferred Shares will be entitled to receive floating rate, cumulative, preferential dividends payable quarterly, if declared, at a rate equal to the three-month Government of Canada Treasury Bill yield plus 3.21%.

The Company has the option to redeem the Series A Preferred Shares on September 30, 2016 and on September 30 every five years thereafter, in whole or in part, at $25.00 per share together with all declared and unpaid dividends. The Series B Preferred Shares are redeemable at the Company’s option on September 30, 2021 and on September 30 every five years thereafter, in whole or in part, at $25.00 per share together with all declared and unpaid dividends.
[ii] SERIES C PREFERRED SHARES

On April 10, 2012, the Company issued 4,000,000 Cumulative 5-Year Rate Reset First Preferred Shares, Series C (Series C Preferred Shares) at a purchase price of $25.00 per share for gross proceeds of $100.0 million. Quarterly cumulative cash dividends, if declared, will be paid at an annual rate of 5.75% for the initial five-year period ending on June 30, 2017. Thereafter, the dividend rate will be reset every five years at a rate equal to the five-year Government of Canada bond yield plus 4.03%.

Holders of Series C Preferred Shares have the right, at their option, to convert any or all of their shares into an equal number of Cumulative Floating Rate First Preferred Shares, Series D (Series D Preferred Shares), subject to certain conditions, on June 30, 2017 and on June 30 every five years thereafter. Holders of the Series D Preferred Shares will be entitled to receive floating rate, cumulative, preferential dividends payable quarterly, if declared, at a rate equal to the three-month Government of Canada Treasury Bill yield plus 4.03%.

The Company has the option to redeem the Series C Preferred Shares on June 30, 2017 and on June 30 every five years thereafter, in whole or in part, at $25.00 per share together with all declared and unpaid dividends. The Series D Preferred Shares are redeemable at the Company's option on June 30, 2022 and on June 30 every five years thereafter, in whole or in part, at $25.00 per share together with all declared and unpaid dividends.

The net amount recognized after deducting issue costs, net of deferred taxes of $1.0 million, was $97.5 million. As of September 30, 2012, the Company held 106,794 shares in treasury at par value of $2.6 million.

**NOTE 12 Common Shares**

<table>
<thead>
<tr>
<th>September 30, 2012</th>
<th>March 31, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
</tr>
<tr>
<td>Issued and fully paid</td>
<td>$ 712,571</td>
</tr>
<tr>
<td>Unvested share purchase loans</td>
<td>(24,157)</td>
</tr>
<tr>
<td>Held for long-term incentive plan</td>
<td>(50,824)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 637,590</td>
</tr>
</tbody>
</table>

[i] AUTHORIZED

Unlimited common shares without par value

[ii] ISSUED AND FULLY PAID

<table>
<thead>
<tr>
<th>Number of shares</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, March 31, 2012</td>
<td>101,688,721</td>
</tr>
<tr>
<td>Shares issued in connection with share-based payment plans [note 14]</td>
<td>692,727</td>
</tr>
<tr>
<td><strong>Balance, September 30, 2012</strong></td>
<td>102,381,448</td>
</tr>
</tbody>
</table>

In August 2012, the Company filed a notice for a normal course issuer bid (NCIB) to provide for the ability to purchase, at the Company's discretion, up to 3,000,000 of its common shares through the facilities of the TSX from August 13, 2012 to August 12, 2013. The purpose of the purchase of common shares under the NCIB is to enable the Company to acquire shares for cancellation. The shares that may be repurchased represent 2.93% of the Company's common shares outstanding at the time of the notice. There were no shares repurchased through the NCIB between August 31, 2012 and September 30, 2012.
## [iii] (LOSS) EARNINGS PER COMMON SHARE

<table>
<thead>
<tr>
<th></th>
<th>For the three months ended</th>
<th>For the six months ended</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Basic (loss) earnings per common share</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net (loss) income attributable to CFI shareholders</td>
<td>$ (14,562)</td>
<td>$ (5,278)</td>
</tr>
<tr>
<td>Preferred shares dividends</td>
<td>(2,998)</td>
<td>(1,799)</td>
</tr>
<tr>
<td>Net (loss) income available to common shareholders</td>
<td>(17,560)</td>
<td>(7,077)</td>
</tr>
<tr>
<td>Weighted average number of common shares (number)</td>
<td>93,715,829</td>
<td>76,073,220</td>
</tr>
<tr>
<td>Basic (loss) earnings per share</td>
<td>$ (0.19)</td>
<td>$ (0.09)</td>
</tr>
<tr>
<td><strong>Diluted (loss) earnings per common share</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net (loss) income available to common shareholders</td>
<td>(17,560)</td>
<td>(7,077)</td>
</tr>
<tr>
<td>Weighted average number of common shares (number)</td>
<td>93,715,829</td>
<td>76,073,220</td>
</tr>
<tr>
<td>Dilutive effect of unvested shares (number)</td>
<td>2,840,557</td>
<td>3,506,816</td>
</tr>
<tr>
<td>Dilutive effect of share options (number)</td>
<td>—</td>
<td>366,049</td>
</tr>
<tr>
<td>Dilutive effect of unvested shares purchased by employee benefit trust (number) [note 14]</td>
<td>5,671,276</td>
<td>3,653,908</td>
</tr>
<tr>
<td>Dilutive effect of share issuance commitment in connection with long-term incentive plan (number) [note 14]</td>
<td>7,795</td>
<td>321,992</td>
</tr>
<tr>
<td>Adjusted weighted average number of common shares (number)</td>
<td>102,235,457</td>
<td>83,921,985</td>
</tr>
<tr>
<td>Diluted (loss) earnings per common share</td>
<td>$ (0.19)</td>
<td>$ (0.09)</td>
</tr>
</tbody>
</table>

### COMMON SHARES DIVIDENDS

The Company declared the following common shares dividends during the six months ended September 30, 2012:

<table>
<thead>
<tr>
<th>Record date</th>
<th>Payment date</th>
<th>Cash dividend per common share</th>
<th>Cash dividend per Series A Preferred Share</th>
<th>Total common dividend amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 1, 2012</td>
<td>June 15, 2012</td>
<td>$0.10</td>
<td>$0.34375</td>
<td>$10,202</td>
</tr>
<tr>
<td>August 24, 2012</td>
<td>September 10, 2012</td>
<td>$0.05</td>
<td>$0.359375</td>
<td>$5,116</td>
</tr>
</tbody>
</table>

On November 7, 2012, the Board of Directors approved a cash dividend of $0.05 per common share payable on December 10, 2012 to common shareholders of record as at November 30, 2012 [Note 19].

### PREFERRED SHARES DIVIDENDS

The Company declared the following preferred shares dividends during the six months ended September 30, 2012:

<table>
<thead>
<tr>
<th>Record date</th>
<th>Payment date</th>
<th>Cash dividend per Series A Preferred Share</th>
<th>Cash dividend per Series C Preferred Share</th>
<th>Total preferred dividend amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 15, 2012</td>
<td>July 3, 2012</td>
<td>$0.34375</td>
<td>$0.31900</td>
<td>$2,837</td>
</tr>
<tr>
<td>September 14, 2012</td>
<td>October 1, 2012</td>
<td>$0.34375</td>
<td>$0.359375</td>
<td>$2,998</td>
</tr>
</tbody>
</table>

On November 7, 2012, the Board also approved a cash dividend of $0.34375 per Series A Preferred Share payable on December 31, 2012 to Series A Preferred shareholders of record as at December 14, 2012 [Note 19].

On November 7, 2012, the Board also approved a cash dividend of $0.359375 per Series C Preferred Share payable on December 31, 2012 to Series C Preferred shareholders of record as at December 14, 2012 [Note 19].
[i] **LONG-TERM INCENTIVE PLAN**

Under the long-term incentive plan (LTIP), eligible participants are awarded restricted share units (RSUs), which generally vest over three years. For employees in Canada, an employee benefit trust (the Trust) has been established and either (a) the Company will fund the Trust with cash, which will be used by the trustee to purchase on the open market common shares of the Company that will be held in trust by the trustee until the RSUs vest or (b) the Company will issue common shares from treasury to participants following vesting of the RSUs. For employees in the US and the UK, the Company will allot common shares at the time of each RSU award, and these shares will be issued from treasury at the time they vest for each participant.

There were 3,432,532 RSUs [six months ended September 30, 2011 – 2,319,479 RSUs] granted in lieu of cash compensation to employees during the six months ended September 30, 2012. The Trust purchased 2,408,168 number of common shares [six months ended September 30, 2011 – 1,807,491] for the six months ended September 30, 2012.

The fair value of the RSUs at the measurement date is based on the volume weighted average price at the grant date and is amortized on a graded basis over the vesting period of three years. The weighted average fair value of RSUs granted during the period ended September 30, 2012 was $5.94 [September 30, 2011 – $13.39].

<table>
<thead>
<tr>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Awards outstanding, March 31, 2012</td>
</tr>
<tr>
<td>Grants</td>
</tr>
<tr>
<td>Vested</td>
</tr>
<tr>
<td>Forfeited</td>
</tr>
<tr>
<td>Awards outstanding, September 30, 2012</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common shares held by the Trust, March 31, 2012</td>
</tr>
<tr>
<td>Acquired</td>
</tr>
<tr>
<td>Released on vesting</td>
</tr>
<tr>
<td>Common shares held by the Trust, September 30, 2012</td>
</tr>
</tbody>
</table>

[ii] **CSH INDUCEMENT PLAN**

In connection with the acquisition of CSHP, the Company agreed to establish a retention plan for key CSHP staff. During the quarter ended September 30, 2012, the Company finalized the terms of this plan and communicated the plan arrangements to the relevant employees. In September 2012, the Company awarded 1,261,657 RSUs, which vest over a five-year period. In accordance with the plan, one-third of the total RSUs (420,560 RSUs) will vest under the terms of the existing LTIP and two-thirds of the total RSUs (841,097 RSUs) will vest under the terms of the new CSH Inducement Plan. Additional awards are expected to be awarded in the third quarter of fiscal 2013. On each vesting date, the RSUs entitle the awardee to receive cash or common shares of the Company. If at the vesting date the share price is less than $8.50 per share, then the Company, at its election, will either (a) pay cash to the employee equal to $8.50 multiplied by the number of RSUs issued, or (b) pay cash to the employee equal to the difference between $8.50 and the vesting date share price, multiplied by the number of RSUs issued plus an equivalent number of shares.

The awards under this plan require either full or partial cash settlement if the share price at vesting is less than $8.50 per share. To the extent that it is considered probable that cash settlement will be required, a portion of these awards will be treated as cash settled, and recorded on the statement of financial position as a liability.

The fair value of the RSUs at the grant date and at the period end was $8.50 for a total plan value of $10.7 million, which will be amortized on a graded basis. The expense recognized in connection with the CSH Inducement Plan during the quarter ended September 30, 2012 was immaterial.

An additional 1,180,345 RSUs under this retention plan with a fair value of $10.0 million ($8.50 per share) are expected to be awarded during the quarter ended December 31, 2012 under the same terms and conditions.
[iii] SHARE-BASED COMPENSATION EXPENSE

<table>
<thead>
<tr>
<th></th>
<th>For the three months ended</th>
<th>For the six months ended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share options</td>
<td>$261</td>
<td>$361</td>
</tr>
<tr>
<td>Long-term incentive plan</td>
<td>9,555</td>
<td>7,210</td>
</tr>
<tr>
<td>Forgivable common share purchase loans</td>
<td>4,217</td>
<td>3,009</td>
</tr>
<tr>
<td>Deferred share units</td>
<td>5</td>
<td>116</td>
</tr>
<tr>
<td>Retention shares</td>
<td>529</td>
<td>210</td>
</tr>
<tr>
<td>Total share-based compensation expense</td>
<td>$14,567</td>
<td>$10,906</td>
</tr>
</tbody>
</table>

**NOTE 15 Related Party Transactions**

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

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

<table>
<thead>
<tr>
<th></th>
<th>September 30, 2012</th>
<th>March 31, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts receivable</td>
<td>$102</td>
<td>—</td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>4,550</td>
<td>2,506</td>
</tr>
</tbody>
</table>

**NOTE 16 Segmented Information**

The Company operates in two industry segments as follows:

- **Canaccord Genuity** – includes investment banking, research and trading activities on behalf of corporate, institutional and government clients as well as principal trading activities in Canada, the US, the UK and Europe, and Other Foreign Locations.

- **Canaccord Wealth Management** – provides brokerage services and investment advice to retail or private clients in Canada, the US, the UK and Europe, and Australia.

Corporate and Other includes correspondent brokerage services, interest and foreign exchange revenue and expenses not specifically allocable to Canaccord Genuity or Canaccord 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.
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 related to the business combinations is allocated to the cash-generating units within the Canaccord Genuity and Canaccord Wealth Management segments. The accounting policies of the segments are the same as those described in Note 5 of the March 31, 2012 consolidated financial statements. 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 results are derived from external customers.

For the three months ended

<table>
<thead>
<tr>
<th></th>
<th>September 30, 2012</th>
<th>September 30, 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Canaccord Genuity</td>
<td>Canaccord Wealth Management</td>
</tr>
<tr>
<td>Revenues, excluding interest revenue</td>
<td>$117,119</td>
<td>$54,606</td>
</tr>
<tr>
<td>Interest revenue</td>
<td>1,838</td>
<td>3,033</td>
</tr>
<tr>
<td>Expenses, excluding undernoted</td>
<td>110,418</td>
<td>47,879</td>
</tr>
<tr>
<td>Amortization</td>
<td>5,141</td>
<td>2,229</td>
</tr>
<tr>
<td>Development costs</td>
<td>2,025</td>
<td>1,981</td>
</tr>
<tr>
<td>Interest expense</td>
<td>2,862</td>
<td>65</td>
</tr>
<tr>
<td>Restructuring costs</td>
<td>4,395</td>
<td>13,567</td>
</tr>
<tr>
<td>Acquisition-related costs</td>
<td>388</td>
<td>900</td>
</tr>
<tr>
<td>Income (loss) before income taxes</td>
<td>$(6,272)</td>
<td>$(8,982)</td>
</tr>
</tbody>
</table>

For the six months ended

<table>
<thead>
<tr>
<th></th>
<th>September 30, 2012</th>
<th>September 30, 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Canaccord Genuity</td>
<td>Canaccord Wealth Management</td>
</tr>
<tr>
<td>Revenues, excluding interest revenue</td>
<td>$214,695</td>
<td>$108,351</td>
</tr>
<tr>
<td>Interest revenue</td>
<td>4,719</td>
<td>6,486</td>
</tr>
<tr>
<td>Expenses, excluding undernoted</td>
<td>218,672</td>
<td>96,859</td>
</tr>
<tr>
<td>Amortization</td>
<td>4,183</td>
<td>3,961</td>
</tr>
<tr>
<td>Development costs</td>
<td>6,775</td>
<td>162</td>
</tr>
<tr>
<td>Interest expense</td>
<td>4,395</td>
<td>13,567</td>
</tr>
<tr>
<td>Restructuring costs</td>
<td>388</td>
<td>900</td>
</tr>
<tr>
<td>Acquisition-related costs</td>
<td>25,873</td>
<td>(4,862)</td>
</tr>
</tbody>
</table>

For geographic reporting purposes, the Company’s business operations are grouped into Canada, the US, the UK and Europe, and Other Foreign Locations. The following table presents the revenue of the Company by geographic location:

<table>
<thead>
<tr>
<th></th>
<th>September 30, 2012</th>
<th>September 30, 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Canaccord Genuity</td>
<td>Canaccord Wealth Management</td>
</tr>
<tr>
<td>Revenues, excluding interest revenue</td>
<td>$80,728</td>
<td>$91,743</td>
</tr>
<tr>
<td>Interest revenue</td>
<td>59,706</td>
<td>9,338</td>
</tr>
<tr>
<td>Expenses, excluding undernoted</td>
<td>40,008</td>
<td>18,586</td>
</tr>
<tr>
<td>Amortization</td>
<td>6,157</td>
<td>(167)</td>
</tr>
<tr>
<td>Income (loss) before income taxes</td>
<td>$186,599</td>
<td>$119,500</td>
</tr>
</tbody>
</table>
The Company’s business requires capital for operating and regulatory purposes, including funding current and future operations. The Company’s capital structure is underpinned by shareholders’ equity, which is comprised of preferred shares, common shares, contributed surplus, retained earnings and accumulated other comprehensive income, and is further complemented by subordinated debt. The following table summarizes our capital as at September 30, 2012 and March 31, 2012:

<table>
<thead>
<tr>
<th>Type of capital</th>
<th>September 30, 2012</th>
<th>March 31, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preferred shares</td>
<td>$205,641</td>
<td>$110,818</td>
</tr>
<tr>
<td>Common shares</td>
<td>637,590</td>
<td>623,739</td>
</tr>
<tr>
<td>Contributed surplus</td>
<td>63,292</td>
<td>68,336</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>125,010</td>
<td>180,748</td>
</tr>
<tr>
<td>Accumulated other comprehensive income</td>
<td>2,309</td>
<td>8,484</td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td>1,033,842</td>
<td>992,125</td>
</tr>
<tr>
<td>Subordinated debt</td>
<td>15,000</td>
<td>15,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,048,842</strong></td>
<td><strong>1,007,125</strong></td>
</tr>
</tbody>
</table>

### Provisions and Contingencies

**PROVISIONS**

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. At each reporting date, the Company assesses the adequacy of its pre-existing provisions and adjusts the amounts as necessary. The following is a summary of the changes during the six months ended September 30, 2012:

<table>
<thead>
<tr>
<th>Legal provisions</th>
<th>Restructuring provisions</th>
<th>Total provisions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, March 31, 2012</td>
<td>$12,943</td>
<td>$26,723</td>
</tr>
<tr>
<td>Additions</td>
<td>1,182</td>
<td>—</td>
</tr>
<tr>
<td>Utilized</td>
<td>(3)</td>
<td>(22,496)</td>
</tr>
<tr>
<td>Balance, June 30, 2012</td>
<td>14,122</td>
<td>4,227</td>
</tr>
<tr>
<td>Additions</td>
<td>2,162</td>
<td>18,862</td>
</tr>
<tr>
<td>Utilized</td>
<td>(3,219)</td>
<td>(13,131)</td>
</tr>
<tr>
<td>Recoveries</td>
<td>(2,581)</td>
<td>—</td>
</tr>
<tr>
<td>Balance, September 30, 2012</td>
<td>$10,484</td>
<td>$9,958</td>
</tr>
</tbody>
</table>

During the quarter ended September 30, 2012, the Company took a number of steps to contain costs and refocus our Canadian operations. This resulted in $15.0 million of restructuring costs in Canada. In the US, in connection with the integration of the US operations of the recently acquired CSHP and the existing Canaccord Genuity US operations, an additional $3.9 million of restructuring costs were recorded. In connection with the US restructuring activities, a process is currently under way to determine the ultimate use of certain leased properties, which include leasehold improvements with a carrying amount of $5.4 million. Depending on the course of action taken, a potential full or partial impairment of these assets may be required in the near term. By segment, the Company recognized $4.4 million in Canaccord Genuity, $13.6 million in the Canaccord Wealth Management segment, and $0.9 million in the Corporate and Other segment.
Commitments, litigation proceedings and contingent liabilities

During the period ended September 30, 2012, there were no material changes to the Company’s commitments or contingencies from those described in Note 23 of the March 31, 2012 consolidated financial statements, except for as noted below:

i) The Company and CSHP and its US subsidiary, Collins Stewart LLC, among others, were defendants in an action commenced by Morgan Joseph TriArtisan Group Inc. and Morgan Joseph TriArtisan LLC in state court in New York City alleging that a proposed joint venture in New York between Collins Stewart LLC and Morgan Joseph TriArtisan LLC was fundamentally inconsistent with the acquisition of CSHP by the Company. The claims against the Company were for tortious interference with contract, tortious interference with prospective business advantage, and aiding and abetting breach of fiduciary duty. Remedies requested by the plaintiff against the Company were for compensatory damages in an amount not less than $35 million and punitive damages in an amount of three times the compensatory damages or approximately $100 million. These proceedings have been settled, for an amount which was less than the provision that had been recorded. The excess liability has been derecognized and recorded as a reduction in general and administrative expense in the second quarter of fiscal 2013.

ii) Genuity was named as co-defendant in an action initiated by CIBC World Markets Inc. in 2005 in the Ontario Superior Court of Justice alleging improper solicitation of the plaintiffs’ employees, conspiracy, inducing breach of contract, interference with commercial relations, breach of fiduciary duties, misuse of confidential information and misappropriation of corporate opportunities. The claim against Genuity was for general damages to be determined by the court and an accounting of benefits received by all the parties as a result of these alleged activities. There was also a claim against all the parties for $10.0 million for punitive and exemplary damages. As Canaccord Genuity Corp. assumed all the assets and liabilities of Genuity, it may have been subject to any judgment that may be made against Genuity in connection with this litigation. The Company believes it has no potential exposure in connection with this claim.

NOTE 19 Subsequent Events

[i] EDEN FINANCIAL LTD.

On October 1, 2012, the Company acquired the wealth management business of Eden Financial Ltd. (Eden), an owner-managed private client investment management business, for purchase consideration of $20.3 million (£12.8 million), of which $12.2 million (£7.7 million) was paid on closing and $8.1 million (£5.1 million) is payable after 12 months, subject to achieving certain performance targets related to revenue. Further incentives of up to $6.3 million (£4.0 million) have also been set to reward further revenue growth and meet revenue mix targets.

The determination of the initial accounting for the business combination to be applied in the third quarter of fiscal 2013 is incomplete as the Company is in the process of determining the fair values of the assets and liabilities acquired. Further information will be disclosed in relation to the acquisition in the next quarterly report, when the estimate of the preliminary purchase price allocation has been determined.

The Company has recognized $0.9 million of acquisition-related costs incurred by the Company in connection with the Eden acquisition. These costs are mainly comprised of professional and consulting fees.

[ii] DIVIDENDS

On November 7, 2012, the Board of Directors approved the following cash dividends: $0.05 per common share payable on December 10, 2012 to common shareholders with a record date of November 30, 2012; $0.34375 per Series A Preferred Share payable on December 31, 2012 with a record date of December 14, 2012; and $0.359375 per Series C Preferred Share payable on December 31, 2012 with a record date of December 14, 2012.
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Corporate Website
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Jamie Kokoska
Vice President, Investor Relations and Communications
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Email: Jamie.Kokoska@canaccord.com

The Canaccord Financial 2012 Annual Report is available on our website at www.canaccordfinancial.com. For a printed copy please contact the Investor Relations department.

Stock Exchange Listing

Common shares:
TSX: CF
LSE: CF.

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

Fiscal 2013 Expected Dividend\(^\text{(1)}\) and Earnings Release Dates

<table>
<thead>
<tr>
<th></th>
<th>Expected earnings release date</th>
<th>Preferred dividend record date</th>
<th>Preferred dividend payment date</th>
<th>Common dividend record date</th>
<th>Common dividend payment date</th>
</tr>
</thead>
</table>

\(^\text{(1)}\) 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:

COMPUTERSHARE INVESTOR SERVICES INC.

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Toronto, ON M5J 2Y1
Telephone Toll Free (North America): 1.800.564.6253
International: 514.982.7555
Fax: 1.866.249.7775
Toll Free Fax (North America): or International Fax: 416.263.9524
Email: service@computershare.com
Website: www.computershare.com

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

Editorial and Design Services

The Works Design Communications Ltd.

Financial Information

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

Auditor

Ernst & Young LLP
Chartered Accountants
Vancouver, BC