

# THIRD QUARTER

Fiscal 2017 Report to Shareholders

To us there are no foreign markets.™

## Canaccord Genuity Group Inc. Reports Third Quarter Fiscal 2017 Results

**Excluding significant items, third quarter earnings per common share of \$0.03<sup>(1)</sup>**

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

**TORONTO, February 9, 2017** – During the third quarter of fiscal 2017, the quarter ended December 31, 2016, Canaccord Genuity Group Inc. (Canaccord Genuity, the Company, TSX: CF) generated \$208.1 million in revenue. Excluding significant items<sup>(1)</sup>, the Company recorded net income of \$6.3 million or net income of \$2.9 million attributable to common shareholders<sup>(2)</sup> (earnings per common share of \$0.03). Including all expense items, on an IFRS basis, the Company recorded net income of \$4.5 million or net income of \$1.2 million attributable to common shareholders<sup>(2)</sup> (earnings per common share of \$0.01).

The results for the quarter included certain non-recurring charges in the aggregate amount of \$6.0 million related to costs associated with the rationalization of our office space in Toronto, costs associated with the transition of new investment advisors onto the Company's wealth management platform in Canada and charges in connection with the acceleration of certain stock-based awards and contractual compensation payments. These costs were recorded as general and administrative expenses in Canaccord Genuity Wealth Management (North America) (\$0.7 million) and as premises and equipment and incentive compensation expenses in Corporate and Other (\$5.3 million). These costs have not been excluded for purposes of calculating adjusted net income (referred to as net income excluding significant items<sup>(1)</sup>).

"While the long term impact of recent developments in the U.S. and UK remains to be seen, we are encouraged to see more investors putting capital to work in the growth sectors of the global economy, a development that has given us a positive near-term outlook for our business," said Dan Daviau, President & CEO of Canaccord Genuity Group Inc. "As activity levels improved, we have maintained a strong focus on driving down overall expenses to enhance profitability across our operations. In addition, we have made meaningful progress to advance our global wealth management strategy which will further contribute to long-term earnings stability."

### Third Quarter of Fiscal 2017 vs. Third Quarter of Fiscal 2016

- Revenue of \$208.1 million, an increase of 14.4% or \$26.3 million from \$181.8 million
- Excluding significant items, expenses of \$200.3 million, a decrease of 1.9% or \$4.0 million from \$204.2 million<sup>(1)</sup>
- Expenses of \$202.4 million, a decrease of 62.0% or \$330.1 million from \$532.5 million<sup>(3)</sup>
- Excluding significant items, diluted earnings per common share (EPS) of \$0.03 compared to a loss per common share of \$0.25<sup>(1)</sup>
- Excluding significant items, net income of \$6.3 million compared to a net loss of \$19.1 million<sup>(1)</sup>
- Net income of \$4.5 million compared to a net loss of \$346.4 million<sup>(3)</sup>
- Diluted EPS of \$0.01 compared to a loss per common share of \$3.91<sup>(3)</sup>

#### Contents

|  |   |  |    |  |    |
|--|---|--|----|--|----|
| Canaccord Reports Third Quarter Results Letter to Shareholders | 1 | Unaudited Interim Condensed Consolidated Statements of Financial Position          | 31 | Unaudited Interim Condensed Consolidated Statements of Changes in Equity | 34 |
| Management's Discussion and Analysis                           | 6 | Unaudited Interim Condensed Consolidated Statements of Operations                  | 32 | Unaudited Interim Condensed Consolidated Statements of Cash Flows        | 35 |
|  | 8 | Unaudited Interim Condensed Consolidated Statements of Comprehensive (Loss) Income | 33 | Notes to Unaudited Interim Condensed Consolidated Financial Statements   | 36 |

## Third Quarter of Fiscal 2017 vs Second Quarter of Fiscal 2017

---

- Revenue of \$208.1 million, an increase of 7.5% or \$14.5 million from \$193.6 million
- Excluding significant items, expenses of \$200.3 million, an increase of 5.0% or \$9.6 million from \$190.7 million<sup>(1)</sup>
- Expenses of \$202.4 million, an increase of 5.0% or \$9.6 million from \$192.8 million
- Excluding significant items, diluted EPS of \$0.03 compared to a loss per common share of \$0.03<sup>(1)</sup>
- Excluding significant items, net income of \$6.3 million compared to net income of \$2.0 million<sup>(1)</sup>
- Net Income of \$4.5 million compared to net income of \$0.2 million
- Diluted EPS of \$0.01 compared to a loss per common share of \$0.05

## Year-to-Date Fiscal 2017 vs. Year-to-Date Fiscal 2016

### (Nine months ended December 31, 2016 vs. Nine months ended December 31, 2015)

---

- Excluding significant items, revenue of \$606.7 million, an increase of 3.4% or \$19.8 million from \$586.9 million<sup>(1)</sup>
- Excluding significant items, expenses of \$584.9 million, a decrease of 0.8% or \$4.7 million from \$589.6 million<sup>(1)</sup>
- Revenue of \$607.9 million, an increase of 3.6% or \$21.0 million from \$586.9 million
- Expenses of \$591.4 million, a decrease of 36.0% or \$332.2 million from \$923.6 million<sup>(3)</sup>
- Excluding significant items, diluted EPS of \$0.05 compared to a loss per common share \$0.15<sup>(1)</sup>
- Excluding significant items, net income of \$16.5 million compared to a net loss of \$3.9 million<sup>(1)</sup>
- Net income of \$12.2 million compared to a net loss of \$335.9 million<sup>(3)</sup>
- Diluted EPS of \$0.01 compared to a loss per common share of \$3.78<sup>(3)</sup>

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

---

- Cash and cash equivalents balance of \$470.2 million, an increase of \$41.9 million from \$428.3 million
- Working capital of \$455.9 million, an increase of \$74.6 million from \$381.3 million
- Total shareholders' equity of \$735.6 million, a decrease of \$14.3 million from \$749.9 million
- Book value per diluted common share of \$4.85, a decrease of \$0.14 from \$4.99<sup>(4)</sup>
- On February 9, 2017, the Board of Directors considered the Company's dividend policy in the context of the market environment and business activity and approved a continued suspension of the quarterly common dividend. This suspension will be reviewed quarterly and a determination made on the basis of business conditions and profitability.
- On February 9, 2017, the Board of Directors approved a cash dividend of \$0.24281 per Series A Preferred Share payable on March 31, 2017 with a record date of March 17, 2017, and a cash dividend of \$0.359375 per Series C Preferred Share payable on March 31, 2017 to Series C Preferred shareholders of record as at March 17, 2017.

## Summary of Operations

---

### CORPORATE

- On October 27, 2016, the Company closed a private placement of convertible unsecured senior subordinated debentures in the aggregate principal amount of \$60 million. The Company intends to use the net proceeds to finance growth in its wealth management business in Canada through the recruitment of Investment Advisors and for general corporate purposes. The debentures bear interest at a rate of 6.50% per annum, payable semi-annually on the last day of June and December each year commencing December 31, 2016. The debentures are convertible at the holders' option into the Company's common shares at a conversion price of \$6.50 per share. The debentures will mature on December 31, 2021 and may be redeemed by the Company, in certain circumstances, on or after December 31, 2019.
- On August 11, 2016, Canaccord Genuity Group Inc. announced the filing of a normal course issuer bid (NCIB) to purchase up to a maximum of 5,587,378 of its common shares in accordance with the requirements of the TSX through the facilities of the TSX and on alternative trading systems during the period from August 15, 2016 to August 14, 2017. The purpose of any purchase under this program is to enable the Company to acquire shares for cancellation. The maximum number of shares that may be purchased represented 5.0% of the Company's outstanding common shares at the time of filing the NCIB. A total of 99,800 shares have been purchased and cancelled under the terms of the NCIB during the nine months ended December 31, 2016.

### CAPITAL MARKETS<sup>(5)</sup>

- Canaccord Genuity participated in 84 investment banking transactions globally, raising total proceeds of C\$10.8 billion<sup>(5)</sup> during fiscal Q3/17
- Canaccord Genuity led or co-led 24 transactions globally, raising total proceeds of C\$762 million<sup>(5)</sup> during fiscal Q3/17
- Significant investment banking transactions for Canaccord Genuity during fiscal Q3/17 include:
  - AUD\$24.9 million for Doray Minerals Ltd. on the ASX
  - £329.0 million block trade for Playtech plc on the LSE
  - C\$186.0 million block trade for a holder of Great Canadian Gaming Corporation on the TSX
  - US\$30.0 million for GenMark Diagnostics, Inc. on NASDAQ
  - AUD\$62.6 million for Cooper Energy Ltd. on the ASX
  - £38.0 million for Rathbone Brothers plc on the LSE
  - US\$75.0 million IPO for Obalon Therapeutics, Inc. on NASDAQ

- C\$66.5 million for InPlayOil Corp on the TSX
- C\$29.0 million for Pro Real Estate Investment Trust on the TSXV
- C\$40.3 million for Alterra Power Corp on the TSX
- US\$322.0 million for Twilio Inc. on the NYSE
- US\$123.0 million IPO for iRhythm Technologies, Inc. on NASDAQ
- US\$172.5 million for Advanced Accelerator Applications S.A. on NASDAQ
- US\$134.6 million IPO for AquaVenture Holdings Limited on the NYSE
- C\$400.00 million IPO for Aritzia Inc. on the TSX
- US\$40.0 million IPO for Everspin Technologies, Inc. on NASDAQ
- AUD\$25.0 million IPO for Dreamscape Networks Limited on the ASX
- C\$25.0 million for Aurora Cannabis Inc. on the TSXV
- C\$20.0 million for iAnthus Capital Holdings Inc. on the CSE
- US\$80.5 million for Kratos Defense & Security Solutions, Inc. on NASDAQ
- C\$50.0 million for Supreme Pharmaceuticals Inc on the CSE
- US\$16.5 million for Palatin Technologies on the NYSE MKT
- AUD\$26.5 million for Dacian Gold Limited on the ASX
- C\$60.0 million IPO for CanniMed Therapeutics Inc. on the TSX
- US\$126.5 million IPO for Xencor, Inc. on NASDAQ
- US\$35.7 million IPO for TiGenix on NASDAQ
- In Canada, Canaccord Genuity participated in raising \$233.7 million for government and corporate bond issuances during fiscal Q3/17
- Advisory fees recorded during fiscal Q3/17 were \$17.1 million, a decrease of \$21.8 million or 56.0% compared to the same quarter last year
- During fiscal Q3/17, significant M&A and advisory transactions included:
  - Kier Group plc on the £75 million sale of its infrastructure engineering and environmental consultancy business to WSP Global Inc.
  - Catapult Environmental Inc. on its private equity sponsorship by ARC Financial Corp.
  - TransGlobe Energy Corporation on its C\$80 million Canadian Asset Acquisition
  - Only About Children on the divestment of a majority stake to Bain Capital Private Equity
  - PEMCO World Air Services, Inc. on its sale to Airborne Maintenance and Engineering Services, Inc., a subsidiary of Air Transport Services Group, Inc.
  - InPlay Oil Corp. on the reverse take-over transaction of TSX-listed Anderson Energy Inc., the closing of a C\$47 million asset acquisition and raising C\$70.3 million of gross subscription receipt proceeds
  - SynCardia Systems, Inc. on its sale to affiliates of Versa Capital Management, LLC pursuant to §363 of the U.S. Bankruptcy Code
  - Abénex Capital on the disposal of Vulcanic to Qualium
  - ECI Partners on the acquisition of Edenhouse
  - Fläkt Woods on its disposal to Triton Partners

#### **CANACCORD GENUITY WEALTH MANAGEMENT (GLOBAL)**

- Globally, Canaccord Genuity Wealth Management generated \$68.5 million in revenue during Q3/17
- Assets under administration in Canada and assets under management in the UK & Europe and Australia were \$36.1 billion at the end of Q3/17<sup>(4)</sup>, an increase of 5.0% or \$1.7 billion at the end of the previous quarter and an increase of 5.1% or \$1.7 billion at the end of fiscal Q3/16

#### **CANACCORD GENUITY WEALTH MANAGEMENT (NORTH AMERICA)**

- Canaccord Genuity Wealth Management (North America) generated \$32.8 million in revenue and, after intersegment allocations and before taxes, recorded a net loss of \$0.5 million during Q3/17. As noted above, incremental costs associated with the transition of new investment advisors onto the Company's wealth management platform in the amount of \$0.7 million were recorded during the quarter and are reflected in this net loss for the quarter.
- Assets under administration in North America were \$12.0 billion as at December 31, 2016 an increase of 15.8% from \$10.3 billion at the end of the previous quarter and an increase of 32.5% from \$9.0 billion at the end of fiscal Q3/16<sup>(4)</sup>
- Assets under management in North America (discretionary) were \$2.5 billion as at December 31 2016, an increase of 107.3% from \$1.2 billion at the end of the previous quarter and an increase of 100.2% from \$1.3 billion at the end of fiscal Q3/16<sup>(4)</sup> (included in assets under administration)
- Canaccord Genuity Wealth Management had 139 Advisory Teams<sup>(6)</sup> at the end of fiscal Q3/17, unchanged from September 30, 2016 and a decrease of one team from December 31, 2015

#### CANACCORD GENUITY WEALTH MANAGEMENT (UK & EUROPE)

- Wealth management operations in the UK & Europe generated \$34.5 million in revenue and, after intersegment allocations, and excluding significant items, recorded net income of \$8.1 million before taxes during Q3/17<sup>(1)</sup>
- Assets under management (discretionary and non-discretionary) were \$23.4 billion (£14.1 billion) as at December 31, 2016, an increase of 0.8% from \$23.2 billion (£13.6 billion) as at the end of the previous quarter and a decrease of 4.7% from \$24.5 billion (£11.9 billion) as at December 31, 2015<sup>(4)</sup>. In local currency (GBP), assets under management at December 31, 2016 increased by 3.3% compared to September 30, 2016 and by 18.2% compared to Q3/16.

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS measures on page 5 and 9.

(2) Net income (loss) attributable to common shareholders is calculated as the net income (loss) adjusted for non-controlling interests and preferred share dividends.

(3) Expenses in Q3/16 included an impairment charge of \$321 million related to goodwill and other assets.

(4) See Non-IFRS Measures on page 5 and 9.

(5) Transactions over \$1.5 million. Internally sourced information.

(6) Advisory Teams are normally comprised of one or more Investment Advisors (IAs) and their assistants and associates, who together manage a shared set of client accounts. Advisory Teams that are led by, or only include, an IA who has been licensed for less than three years are not included in our Advisory Team count, as it typically takes a new IA approximately three years to build an average-sized book of business.

## NON-IFRS MEASURES

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

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

## SELECTED FINANCIAL INFORMATION EXCLUDING SIGNIFICANT ITEMS<sup>(1)</sup>

| (C\$ thousands, except per share and % amounts)                          | Three months ended December 31 |             |                                 | Nine months ended December 31 |             | YTD-over-YTD<br>change |
|--|--------------------------------|-------------|---------------------------------|-------------------------------|-------------|------------------------|
|  | 2016                           | 2015        | Quarter-over-<br>quarter change | 2016                          | 2015        |                        |
| Total revenue per IFRS   | \$ 208,108                     | \$ 181,837  | 14.4%                           | \$ 607,890                    | \$ 586,893  | 3.6%                   |
| Total expenses per IFRS  | \$ 202,397                     | \$ 532,456  | (62.0)%                         | \$ 591,411                    | \$ 923,566  | (36.0)%                |
| <i>Revenue</i>   |                                |             |                                 |                               |             |                        |
| <i>Significant items included in Canaccord Genuity</i>                   |                                |             |                                 |                               |             |                        |
| Realized translation gains on disposal of Singapore                      | —                              | —           | —                               | 1,193                         | —           | n.m.                   |
| Total revenue excluding significant items                                | \$ 208,108                     | \$ 181,837  | 14.4%                           | \$ 606,697                    | \$ 586,893  | 3.4%                   |
| <i>Expenses</i>  |                                |             |                                 |                               |             |                        |
| <i>Significant items recorded in Canaccord Genuity</i>                   |                                |             |                                 |                               |             |                        |
| Amortization of intangible assets  | 829                            | 1,333       | (37.8)%                         | 2,475                         | 4,063       | (39.1)%                |
| Impairment of goodwill and other assets                                  | —                              | 321,037     | (100.0)%                        | —                             | 321,037     | (100.0)%               |
| Restructuring costs  | —                              | 2,977       | (100.0)%                        | —                             | 2,977       | (100.0)%               |
| <i>Significant items recorded in Canaccord Genuity Wealth Management</i> |                                |             |                                 |                               |             |                        |
| Amortization of intangible assets  | 1,274                          | 1,560       | (18.3)%                         | 4,001                         | 4,584       | (12.7)%                |
| <i>Significant items recorded in Corporate and Other</i>                 |                                |             |                                 |                               |             |                        |
| Restructuring costs  | —                              | 1,300       | (100.0)%                        | —                             | 1,300       | (100.0)%               |
| Total significant items  | 2,103                          | 328,207     | (99.4)%                         | 6,476                         | 333,961     | (98.1)%                |
| Total expenses excluding significant items                               | 200,294                        | 204,249     | (1.9)%                          | 584,935                       | 589,605     | (0.8)%                 |
| Net income (loss) before taxes – adjusted                                | \$ 7,814                       | \$ (22,412) | 134.9%                          | \$ 21,762                     | \$ (2,712)  | n.m.                   |
| Income taxes (recovery) – adjusted                                       | 1,505                          | (3,268)     | 146.1%                          | 5,306                         | 1,170       | n.m.                   |
| Net income (loss) – adjusted   | \$ 6,309                       | \$ (19,144) | 133.0%                          | \$ 16,456                     | \$ (3,882)  | n.m.                   |
| Net income (loss) attributable to common shareholders, adjusted          | \$ 2,907                       | \$ (22,228) | 113.1%                          | \$ 4,726                      | \$ (13,508) | 135.0%                 |
| Earnings (loss) per common share – basic, adjusted                       | \$ 0.03                        | \$ (0.25)   | 112.0%                          | \$ 0.05                       | \$ (0.15)   | 133.3%                 |
| Earnings (loss) per common share – diluted, adjusted                     | \$ 0.03                        | \$ (0.25)   | 112.0%                          | \$ 0.05                       | \$ (0.15)   | 133.3%                 |

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

---

## Fellow Shareholders:

The results of our third fiscal quarter reflect improving performance across global capital markets in our focus sectors. Although developments in the UK and the US continue to evolve, and the longer term impact on the growth sectors of the global economy remains to be seen, we are encouraged by improving activity levels and our near term outlook is positive.

The outcome of the US federal election in November led to improved sentiment throughout financial markets, on the back of ongoing stabilization in economic data, an anticipated shift towards more expansionary fiscal policy, lower taxes and a new approach to regulation from the new administration. During the quarter, the S&P/TSX Composite finished 4.5% higher, including dividends, ending the 2016 calendar year up 21.1%, as higher oil and gold prices gave the Canadian Index a boost for the better part of 2016.

Throughout the quarter, businesses in the UK became more active as they began taking steps to move forward in light of a widely anticipated 'hard' Brexit, a development that has become increasingly likely subsequent to the end of the quarter.

In addition to improving activity levels across our operations, the benefits of the restructuring and alignment initiatives we announced one year ago are becoming more evident in our results. We have continued to strengthen overall profitability and drive down expenses while activity levels improve across our global operations. Our back office and support teams have maintained a strong focus on improving firm wide efficiencies, optimizing office spaces, and ensuring that we have the necessary support and infrastructure to move forward with our strategy across all businesses and geographies.

For the third quarter of fiscal 2017, Canaccord Genuity Group Inc. generated total revenue of \$208.1 million, an increase of 14.4% compared to the same quarter of last year. Our expenses for the quarter included approximately \$6 million in non-recurring charges, primarily in connection with the costs of growing our Canadian wealth management platform, contractual compensation payments, and the rationalization of our office space in Toronto. These costs have not been excluded for the purpose of calculating adjusted net income.

---

## Global wealth management businesses continue to drive stability and growth

At the end of our third fiscal quarter, Canaccord Genuity Wealth Management had total assets under management and administration of \$36.1 billion, a year-over year increase of 5.1%. Total revenue generated by our wealth management operations in the UK & Europe, Canada and Australia grew to \$68.5 million, an increase of 10.8% compared to the same quarter of last year.

Our wealth management operation in the UK & Europe produced a record third quarter result. When measured in local currency, net income for the three month period was £4.9 million, an improvement of £1.7 million, or 53% compared to the same quarter of last year. The exceptional quality of our product offering in this region has helped this business to steadily improve net inflows and increase assets under management, which grew to £14.1 billion at the end of the quarter, up from £11.9 billion a year ago. I am also pleased to report that Canaccord Genuity Wealth Management was recently awarded the Citywealth IFC award for Investment Manager of the Year – Isle of Man.

Assets in our Canadian wealth management business continued to improve, primarily due to the success of our recruiting strategy. At the end of the third fiscal quarter, total assets under administration in this business grew to approximately \$12 billion dollars, an increase of 32.5% when compared to the same period last year. As most new assets were transitioned to our platform near the end of the fiscal period, associated revenues will be more fully reflected in future quarters. Our recruiting efforts in this business remain on track and we are attracting interest from growing numbers of high quality advisors. Looking ahead, we will continue to centre our offering on professional and highly personalized advice for clients, a differentiator that I am confident will position us to be the leading independent wealth management firm in Canada.

Looking ahead, we continue to focus on increasing scale in our Canadian and UK & Europe wealth management operations, in addition to driving growth in our Australian wealth management business, so that we can steadily improve recurring revenue contributions and further enhance stability for our shareholders. As we move forward on this strategy, we expect to incur moderate, non-recurring charges with respect to onboarding new advisors and clients. In addition, we will continue to incur costs associated with our acquisition efforts in our UK and offshore businesses.

---

## Profitable quarter for all global capital markets businesses

Activity levels in our global capital markets businesses continued to trend higher on more evidence of global growth tailwinds. For the third fiscal quarter, our global capital markets business earned revenue of \$137.3 million, with the largest contribution coming from our US operation.

Our US capital markets business delivered its strongest revenue quarter on record, driven primarily by our principal trading operation, which is on track to deliver a record fiscal year performance. Revenue generated from investment banking activities has also steadily improved over the fiscal year. While it is too early to tell if the post-election optimism will translate into longer term conviction, we have continued to strengthen our competitive position in the US market by making disciplined investments to strengthen our capability in the verticals that support our core strengths globally. Recently, we announced new senior investment banking hires to strengthen coverage in our Healthcare IT (HCIT), Consumer & Retail and Technology practices.

Calendar 2016 was a pivotal year for our Australian capital markets team, as they cemented Canaccord Genuity as a dominant mid-market competitor in the region. This operation has become significant enough that we now provide separate disclosure in our supplementary financial information. Despite a seasonally slower third quarter, revenues from capital markets activity in this business increased by 96% compared to the same period of last year, driven primarily by investment banking activity. Year to date, this business has increased revenues by

118% compared to the first nine months of fiscal 2016. Our teams in the region have consistently demonstrated a commitment to delivering successful outcomes for clients, putting this business on track to deliver a record result for fiscal 2017.

On the back of a very challenging year, our capital markets business in the UK & Europe returned to marginal profitability during the third fiscal quarter. Notably, investment banking revenue in this business increased by 35.8% on a year-over-year basis and revenue generated from principal trading activity increased by 37.1%. Activity in our advisory business has steadily improved since the start of the fiscal year, and we continue to have good visibility on improving near term activity in this segment. We are also actively working to better align our new issue business in the region. While we are encouraged by the positive momentum in this region, we are also carefully reviewing all opportunities to ensure long term profitability in this business.

I am also pleased to report that subsequent to the end of the quarter, our Dubai operation successfully closed its first official advisory mandate, which was one of our most significant transactions of the fiscal year. With the working association between Dubai and the UK, Dubai's operations will now be reflected with the Canaccord Genuity UK & Europe business unit in our supplementary financial information.

New issue activity in our Canadian capital markets business continued to be softer during the third quarter, but on a year-over-year basis revenue generated from investment banking activities increased by 206%. Importantly, our recently formed Capital Markets Origination Group is driving stronger collaboration between our capital markets and wealth management teams in the region and we have recently completed a number of important early-stage financings for entrepreneurial clients, with whom we expect to form long-term partnerships as we support their growth objectives over time. We will continue to grow our origination capability, to firmly establish Canaccord Genuity as the leading independent investment bank in Canada.

Looking ahead, we are encouraged to see that broad market sentiment at the start of calendar 2017 is much more positive than it was in the same period last year. Investors are increasingly looking to put more money to work in the dynamic growth sectors of the global economy, and as a leading independent global investment bank with a focus on the mid-market, our differentiated service model positions us well to increase activity in our core focus sectors

## Committed to driving long term shareholder value creation

---

While our near term outlook for activity levels in our capital markets and wealth management operations is positive, we continue to anticipate periodic increases in volatility levels as the markets react to the specifics of regulatory and policy changes in the UK and the US. Against this backdrop, we remain committed to operating our business efficiently, and with a strong focus on delivering sustainable long term value for our clients and our shareholders.

Kind regards,

**DAN DAVIAU**  
President & CEO  
Canaccord Genuity Group Inc.

---

## Management's Discussion and Analysis

Third quarter fiscal 2017 for the three months and nine months ended December 31, 2016 — this document is dated February 9, 2017

The following discussion of the financial condition and results of operations for Canaccord Genuity Group Inc. is provided to enable the reader to assess material changes in our financial condition and to assess results for the three and nine month periods ended December 31, 2016 compared to the corresponding period in the preceding fiscal year. The three-month period ended December 31, 2016 is also referred to as third quarter 2017 and Q3/17. Unless otherwise indicated or the context otherwise requires, the "Company" refers to Canaccord Genuity Group Inc. and "Canaccord Genuity Group" refers to the Company and its direct and indirect subsidiaries. "Canaccord Genuity" refers to the investment banking and capital markets segment of the Company. This discussion should be read in conjunction with: the unaudited interim condensed consolidated financial statements for the three and nine month periods ended December 31, 2016, beginning on page 31 of this report; our Annual Information Form (AIF) dated June 24, 2016; and the 2016 annual Management's Discussion and Analysis (MD&A) including the audited consolidated financial statements for the fiscal year ended March 31, 2016 (Audited Annual Consolidated Financial Statements) in the Company's annual report dated June 1, 2016 (the 2016 Annual Report). There has been no material change to the information contained in the annual MD&A for fiscal 2016 except as disclosed in this MD&A. The Company's financial information is expressed in Canadian dollars unless otherwise specified.

---

### Cautionary Statement Regarding Forward-Looking Information

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

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

---

### Presentation of Financial Information and Non-IFRS Measures

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



## NON-IFRS MEASURES

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

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

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

Financial statement items that exclude significant items are non-IFRS measures. Significant items for these purposes include restructuring costs, amortization of intangible assets acquired in connection with a business combination, impairment of goodwill and other assets, and acquisition-related expense items, which include costs recognized in relation to both prospective and completed acquisitions. See the Selected Financial Information Excluding Significant Items table on page 13.

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

## Business Overview

---

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

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

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

## BUSINESS ENVIRONMENT

During the third quarter of fiscal 2017, the Canadian economy rebounded somewhat with the labour market registering its biggest quarterly gains since 2012. However, despite a weaker Canadian dollar and stronger commodity prices, Canadian exports remain under pressure and imports are still growing. A trade balance deficit is restraining growth prospects. In the U.S., results of the U.S. presidential election sent a positive shockwave through financial markets. Promises of corporate and personal tax cuts, increased protectionism and investments in infrastructure are seen as pro-growth in the U.S. with inflationary policies overriding budget deficit concerns. Meanwhile, OPEC and non-OPEC countries reached an oil production cut agreement late in November 2016, boosting energy prices. As a result, U.S. headline inflation increased markedly and is now approaching the Federal Reserve ("the Fed") objective of 2%. Admittedly, U.S. monthly employment figures came in slightly below expectations during the third quarter of fiscal 2017. However, low unemployment and rising wages suggest tightening labour market conditions. Also, forward looking indicators — such as the manufacturing ISM and the NFIB — portray improved business optimism. Against this backdrop, the Fed responded by hiking its benchmark rate by 25bps in December. In Europe, the Euro depreciation is translating into a more vibrant economic environment. Nevertheless, the European Central Bank decided to extend its quantitative easing program for another nine months owing to still tame inflationary pressures. In China, inflation also remains under control, while manufacturing activity in the region is picking up, with PMIs moving comfortably into expansion territory during the quarter.

The S&P/TSX and the S&P 500 advanced 3.8% and 3.3% respectively during the third fiscal quarter of 2017. Also, fueled by the Nikkei 225 (+16.2%), the CAC 40 (9.3%) and the DAX 30 (+9.2%), world equities rose 4.4% quarter-over-quarter, while the MSCI Emerging Markets Index declined 1.8% due to negative trade rhetoric by President Elect Trump. On commodities, the deal to cut production between OPEC and some Non-OPEC countries jolted energy prices. Additionally, promises by the new U.S. Republican administration to increase investments in infrastructure kept commodity prices well bid. In all, natural gas (29.6%), crude oil (+11.7%) and copper (14.1%) prices all enjoyed strong price recoveries during the three-month period. Conversely, economic growth and rising inflation expectations hurt U.S. 10-year bond yields, which were up 84bps over the quarter to 2.45%. Sector-wise, higher interest rates and prospects of tax cuts and anti-regulation policies in the U.S. boosted the S&P/TSX financial index (+10.6%) during the quarter. The strong performance of oil prices also allowed the energy sector (+6.2%) to outperform the market. Conversely, these same factors caused defensive and interest sensitive sectors such as telecoms (-3.9%), utilities (-1.5%) and REITs (-1.2%) to underperform the market. On currencies, the Canadian dollar (-2.3%) further weakened, owing to the depreciation of Latin American currencies as well as a burgeoning budget and current account deficits. The U.S. Dollar strengthened on a trade-weighted basis (+7.1%), notably against the Euro (-6.4%) owing to diverging monetary policies between the Fed and other world central banks.

Subsequent to the end of the fiscal quarter, the UK Government signalled its intention for a hard Brexit. The Fed held rates. The BoC also held rates and signalled that a future rate cut is a possibility amid concerns that the Canadian economy may experience a material impact from anticipated protectionist measures of the Trump administration. This cautious view comes as a rise in interest rates, in combination with tighter mortgage lending rules and the recent swift appreciation of the Canadian dollar have the potential to be a restraining factor to growth.

Looking ahead, the OECD leading economic indicators for G7 and BRIC countries are in a strong uptrend, such that 2017 could mark the first "late-cycle" growth synchronization between developed market (DM) and emerging market (EM) economies since 2006. That said, in the U.S., we expect that the lagged impact of higher bond yields and U.S. dollar appreciation should limit growth to around 3% over calendar 2017. In Canada, while the negative impact from the energy sector downturn is fading and a fiscal stimulus is expected to kick in, we expect that headwinds from new mortgage lending standards, over-levered households and chronic trade deficits should constrain GDP growth below 2%. From a currency market standpoint, weaker economic growth prospects in Canada, cheap Latin American currencies and divergent monetary policies between the Bank of Canada and the Fed should keep the Canadian dollar under pressure. In all, we expect the Canadian dollar to depreciate over calendar 2017 and the US dollar to trade sideways versus other DM and EM currencies.

With regard to equity sectors, we expect that resource and non-resource cyclicals will continue to benefit from improving global economic momentum, pro-growth policies in the U.S. and accommodative central banks worldwide. The ongoing sector rotation from defensive to cyclical companies should support agency trading activities. Already, Canadian trading volumes have advanced 7.4% year-over-year in the third quarter of fiscal 2017. Furthermore, lower volatility in the market, higher company valuations and funds flowing from bonds to equities are factors that should contribute to a more dynamic new-issue business, increased M&A, recapitalization and restructuring activities throughout the year.

## MARKET DATA

Financing values on the TSX, TSX Venture Exchange, NASDAQ and AIM all improved compared to the previous quarter and the same period last year.

### TOTAL FINANCING VALUE BY EXCHANGE

|                                    | October<br>2016 | November<br>2016 | December<br>2016 | Fiscal<br>Q3/17 | Change from<br>fiscal Q3/16 | Change from<br>fiscal Q2/17 |
|------------------------------------|-----------------|------------------|------------------|-----------------|-----------------------------|-----------------------------|
| TSX and TSX Venture (C\$ billions) | 3.1             | 7.1              | 5.6              | 15.8            | 64.6%                       | 20.6%                       |
| AIM (£ billions)                   | 0.4             | 0.7              | 0.4              | 1.5             | 0.0%                        | 15.4%                       |
| NASDAQ (US\$ billions)             | 6.3             | 6.8              | 8.0              | 21.1            | 68.8%                       | 10.5%                       |

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

**ABOUT CANACCORD GENUITY GROUP INC.'S OPERATIONS**

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

**Canaccord Genuity**

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

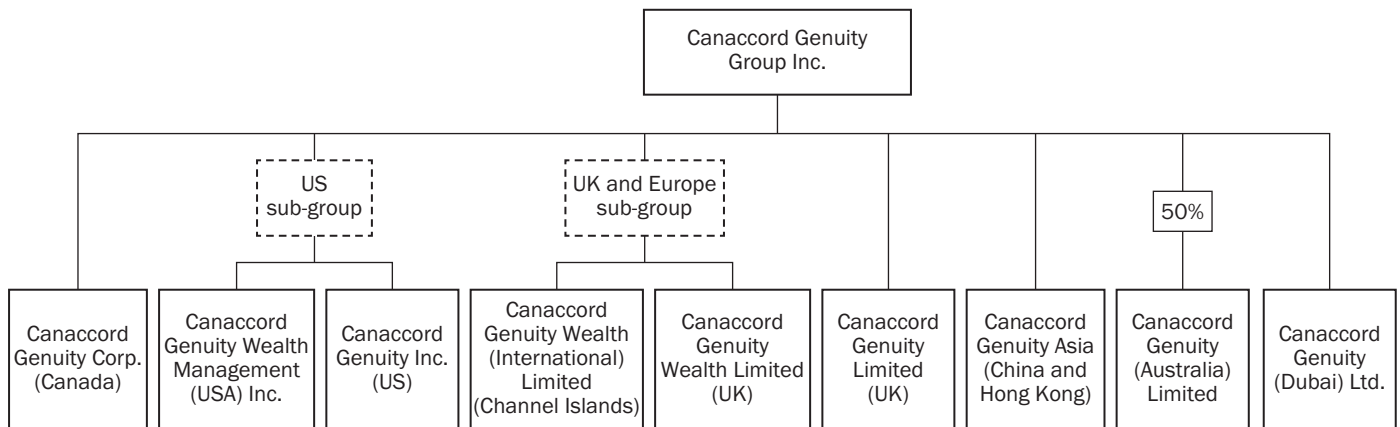
**Canaccord Genuity Wealth Management**

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

**Corporate and Other**

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

**Corporate structure**



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

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

## Consolidated Operating Results

### THIRD QUARTER AND YEAR-TO-DATE FISCAL 2017 SUMMARY DATA<sup>(1)(2)</sup>

| (C\$ thousands, except per share and % amounts, and number of employees) | Three months ended December 31 |                |                | QTD<br>Q3/17 vs.<br>Q3/16 | Nine months ended December 31 |                |                | YTD<br>FY 2017 vs.<br>FY 2016 |
|--|--------------------------------|----------------|----------------|---------------------------|-------------------------------|----------------|----------------|-------------------------------|
|  | 2016                           | 2015           | 2014           |                           | 2016                          | 2015           | 2014           |                               |
| <b>Canaccord Genuity Group Inc. (CGGI)</b>                               |                                |                |                |                           |                               |                |                |                               |
| Revenue  |                                |                |                |                           |                               |                |                |                               |
| Commissions and fees   | \$ 102,637                     | \$ 95,014      | \$ 92,123      | 8.0%                      | \$ 290,851                    | \$ 278,902     | \$ 273,189     | 4.3%                          |
| Investment banking   | 46,508                         | 19,261         | 26,770         | 141.5%                    | 124,534                       | 115,472        | 179,706        | 7.8%                          |
| Advisory fees  | 17,127                         | 38,954         | 23,449         | (56.0)%                   | 78,275                        | 105,223        | 112,609        | (25.6)%                       |
| Principal trading  | 33,569                         | 20,202         | 14,612         | 66.2%                     | 87,974                        | 60,360         | 52,596         | 45.7%                         |
| Interest   | 4,017                          | 3,981          | 5,045          | 0.9%                      | 11,630                        | 13,389         | 17,251         | (13.1)%                       |
| Other  | 4,250                          | 4,425          | 4,472          | (4.0)%                    | 14,626                        | 13,547         | 12,947         | 8.0%                          |
| <b>Total revenue</b>   | <b>208,108</b>                 | <b>181,837</b> | <b>166,471</b> | <b>14.4%</b>              | <b>607,890</b>                | <b>586,893</b> | <b>648,298</b> | <b>3.6%</b>                   |
| Expenses   |                                |                |                |                           |                               |                |                |                               |
| Incentive compensation   | 106,941                        | 105,774        | 87,199         | 1.1%                      | 318,596                       | 304,955        | 328,925        | 4.5%                          |
| Salaries and benefits  | 21,064                         | 23,509         | 20,430         | (10.4)%                   | 63,606                        | 68,583         | 63,231         | (7.3)%                        |
| Other overhead expenses <sup>(3)</sup>                                   | 74,392                         | 77,859         | 79,827         | (4.5)%                    | 209,209                       | 224,714        | 226,511        | (6.9)%                        |
| Restructuring costs <sup>(4)</sup>                                       | —                              | 4,277          | —              | (100.0)%                  | —                             | 4,277          | 2,383          | (100.0)%                      |
| Impairment of goodwill and other assets <sup>(5)</sup>                   | —                              | 321,037        | 4,535          | (100.0)%                  | —                             | 321,037        | 4,535          | (100.0)%                      |
| <b>Total expenses</b>  | <b>202,397</b>                 | <b>532,456</b> | <b>191,991</b> | <b>(62.0)%</b>            | <b>591,441</b>                | <b>923,566</b> | <b>625,585</b> | <b>(36.0)%</b>                |
| Income (loss) before income taxes  | 5,711                          | (350,619)      | (25,520)       | 101.6%                    | 16,479                        | (336,673)      | 22,713         | 104.9%                        |
| Net income (loss)  | \$ 4,544                       | \$ (346,388)   | \$ (21,479)    | 101.3%                    | \$ 12,199                     | \$ (335,858)   | \$ 15,004      | 103.6%                        |
| Net income (loss) attributable to:                                       |                                |                |                |                           |                               |                |                |                               |
| CGGI shareholders  | \$ 3,755                       | \$ (346,277)   | \$ (21,380)    | 101.1%                    | \$ 9,217                      | \$ (335,968)   | \$ 13,810      | 102.7%                        |
| Non-controlling interests  | \$ 789                         | \$ (111)       | \$ (99)        | n.m.                      | \$ 2,982                      | \$ 110         | \$ 1,194       | n.m.                          |
| Earnings (loss) per common share – diluted                               | \$ 0.01                        | \$ (3.91)      | \$ (0.27)      | 100.3%                    | \$ 0.01                       | \$ (3.78)      | \$ 0.05        | 100.3%                        |
| Return on common equity (ROE)  | 0.9%                           | (184.0)%       | (10.5)%        | 184.9 p.p.                | 0.2%                          | (60.7)%        | 0.7%           | 60.9 p.p.                     |
| Dividends per common share   | —                              | —              | \$ 0.05        | —                         | —                             | \$ 0.10        | \$ 0.20        | (100.0)%                      |
| Book value per diluted common share <sup>(6)</sup>                       | \$ 4.85                        | \$ 5.33        | \$ 8.63        | (8.9)%                    | \$ 2,776,098                  | \$ 2,763,315   | \$ 3,930,036   | 0.5%                          |
| Total assets   | \$ 2,776,098                   | \$ 2,763,315   | \$ 3,930,036   | 0.5%                      |                               |                |                |                               |
| Total liabilities  | \$ 2,030,844                   | \$ 1,962,623   | \$ 2,812,476   | 3.5%                      |                               |                |                |                               |
| Non-controlling interests  | \$ 9,651                       | \$ 11,481      | \$ 9,608       | (15.9)%                   |                               |                |                |                               |
| Total shareholders' equity   | \$ 735,603                     | \$ 789,211     | \$ 1,107,952   | (6.8)%                    |                               |                |                |                               |
| Number of employees  | 1,718                          | 1,858          | 2,002          | (7.5)%                    |                               |                |                |                               |
| Excluding significant items <sup>(7)</sup>                               |                                |                |                |                           |                               |                |                |                               |
| Total revenue  | \$ 208,108                     | \$ 181,837     | \$ 92,123      | 14.4%                     | \$ 606,697                    | \$ 586,893     | \$ 648,298     | 3.4%                          |
| Total expenses   | 200,294                        | 204,249        | 184,112        | (1.9)%                    | 584,935                       | 589,605        | 607,411        | (0.8)%                        |
| Income (loss) before income taxes  | 7,814                          | (22,412)       | (17,641)       | 134.9%                    | 21,762                        | (2,712)        | 40,887         | n.m.                          |
| Net income (loss)  | 6,309                          | (19,144)       | (14,253)       | 133.0%                    | 16,456                        | (3,882)        | 30,510         | n.m.                          |
| Net income (loss) attributable to:                                       |                                |                |                |                           |                               |                |                |                               |
| CGGI shareholders  | 5,447                          | (19,230)       | (14,400)       | 128.3%                    | 13,264                        | (4,614)        | 28,548         | n.m.                          |
| Non-controlling interests  | 862                            | 86             | 147            | n.m.                      | 3,192                         | 747            | 1,962          | n.m.                          |
| Net income (loss) attributable to common shareholders, adjusted          | 2,907                          | (22,228)       | (17,360)       | 113.1%                    | 4,726                         | (13,508)       | 19,669         | 135.0%                        |
| Earnings (loss) per common share – diluted                               | 0.03                           | (0.25)         | (0.19)         | 112.0%                    | 0.05                          | (0.15)         | 0.20           | 133.3%                        |

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

(2) The operating results of the Australian operations have been fully consolidated and a 42% non-controlling interest has been recognized for the three and nine months ended December 31, 2016 [three and nine months ended December 31, 2015 — 40% and December 31, 2014 — 50%].

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

(4) Restructuring costs for the three and nine months ended December 31, 2015 were related to the staff reductions in our US capital markets operations and the closure of our Barbados office in Other Foreign Locations, as well as charges related to changes in our Corporate and Other segment. Restructuring costs for the nine months ended December 31, 2014 were incurred in connection with certain executive changes in our Corporate and Other segment and the closure of the Geneva office in our UK & European wealth management operations.

(5) Impairment of goodwill and other assets for the three and nine months ended December 31, 2015 is in connection with our capital markets operations in the UK, US, Canada and Australia, and Other Foreign Locations-Singapore. Impairment of goodwill for the three and nine months ended December 31, 2014 is in connection with our China-based operations.

(6) Book value per diluted common share is calculated as total common shareholders' equity adjusted for assumed proceeds from the exercise of options and warrants and conversion of convertible debentures divided by the number of diluted common shares outstanding including estimated amounts in respect of share issuance commitments including options, warrants and convertible debentures, as applicable, and adjusted for shares purchased under the normal course issuer bid and not yet cancelled, and estimated forfeitures in respect of unvested share awards under share-based payment plans.

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

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

SELECTED FINANCIAL INFORMATION EXCLUDING SIGNIFICANT ITEMS<sup>(1)</sup>

| (C\$ thousands, except per share and % amounts)                          | Three months ended December 31 |             |                             | Nine months ended December 31 |             |                     |
|--|--------------------------------|-------------|-----------------------------|-------------------------------|-------------|---------------------|
|  | 2016                           | 2015        | Quarter-over-quarter change | 2016                          | 2015        | YTD-over-YTD change |
| Total revenue per IFRS   | \$ 208,108                     | \$ 181,837  | 14.4%                       | \$ 607,890                    | \$ 586,893  | 3.6%                |
| Total expenses per IFRS  | \$ 202,397                     | \$ 532,456  | (62.0)%                     | \$ 591,411                    | \$ 923,566  | (36.0)%             |
| <i>Revenue</i>   |                                |             |                             |                               |             |                     |
| <i>Significant items included in Canaccord Genuity</i>                   |                                |             |                             |                               |             |                     |
| Realized translation gains on disposal of Singapore                      | —                              | —           | —                           | 1,193                         | —           | n.m.                |
| Total revenue excluding significant items                                | \$ 208,108                     | \$ 181,837  | 14.4%                       | \$ 606,697                    | \$ 586,893  | 3.4%                |
| <i>Expenses</i>  |                                |             |                             |                               |             |                     |
| <i>Significant items recorded in Canaccord Genuity</i>                   |                                |             |                             |                               |             |                     |
| Amortization of intangible assets  | 829                            | 1,333       | (37.8)%                     | 2,475                         | 4,063       | (39.1)%             |
| Impairment of goodwill and other assets                                  | —                              | 321,037     | (100.0)%                    | —                             | 321,037     | (100.0)%            |
| Restructuring costs  | —                              | 2,977       | (100.0)%                    | —                             | 2,977       | (100.0)%            |
| <i>Significant items recorded in Canaccord Genuity Wealth Management</i> |                                |             |                             |                               |             |                     |
| Amortization of intangible assets  | 1,274                          | 1,560       | (18.3)%                     | 4,001                         | 4,584       | (12.7)%             |
| <i>Significant items recorded in Corporate and Other</i>                 |                                |             |                             |                               |             |                     |
| Restructuring costs  | —                              | 1,300       | (100.0)%                    | —                             | 1,300       | (100.0)%            |
| Total significant items  | 2,103                          | 328,207     | (99.4)%                     | 6,476                         | 333,961     | (98.1)%             |
| Total expenses excluding significant items                               | 200,294                        | 204,249     | (1.9)%                      | 584,935                       | 589,605     | (0.8)%              |
| Net income (loss) before taxes – adjusted                                | \$ 7,814                       | \$ (22,412) | 134.9%                      | \$ 21,762                     | \$ (2,712)  | n.m.                |
| Income taxes (recovery) – adjusted                                       | 1,505                          | (3,268)     | 146.1%                      | 5,306                         | 1,170       | n.m.                |
| Net income (loss) – adjusted   | \$ 6,309                       | \$ (19,144) | 133.0%                      | \$ 16,456                     | \$ (3,882)  | n.m.                |
| Net income (loss) attributable to common shareholders, adjusted          | \$ 2,907                       | \$ (22,228) | 113.1%                      | \$ 4,726                      | \$ (13,508) | 135.0%              |
| Earnings (loss) per common share – basic, adjusted                       | \$ 0.03                        | \$ (0.25)   | 112.0%                      | \$ 0.05                       | \$ (0.15)   | 133.3%              |
| Earnings (loss) per common share – diluted, adjusted                     | \$ 0.03                        | \$ (0.25)   | 112.0%                      | \$ 0.05                       | \$ (0.15)   | 133.3%              |

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

## Foreign exchange

Revenues and expenses from our foreign operations are initially recorded in their respective functional currencies and translated into Canadian dollars at exchange rates prevailing during the period. The pound sterling and the US dollar depreciated against the Canadian dollar by approximately 18.3% and 0.7%, respectively, in Q3/17 when compared to Q3/16. For the nine months ended December 31, 2016, the pound sterling and US dollar depreciated against the Canadian dollar by approximately 12.0% and 0.2%, respectively, compared to the same period a year ago. This change in foreign exchange contributed to certain changes in revenue and expense items measured in Canadian dollars when compared to the applicable prior periods and should be considered when reviewing the following discussion in respect of our consolidated results as well as the discussion in respect of Canaccord Genuity and Canaccord Genuity Wealth Management UK & Europe.

## Geographies

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

## Goodwill

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

Utilizing management's estimates for revenue and operating performance, growth rates and other assumptions typically required in connection with discounted cash flow models the Company determined that there was no impairment in the goodwill associated with any of its wealth

management business units in the UK & Europe, its remaining goodwill recorded in Canaccord Genuity Canada or in the value of the indefinite life intangible asset related to the Genuity brand name. Notwithstanding this determination as of December 31, 2016, the continuing uncertainty in the economic environment may cause this determination to change. If the business climate remains uncertain and the Company is unable to achieve its internal forecasts the Company may determine that there has been impairment and the Company may be required to record a goodwill impairment charge in future periods in respect of the Canaccord Genuity Wealth Management business units in the UK & Europe or in respect of the remaining goodwill recorded in Canaccord Genuity Canada. Adverse changes in the key assumptions utilized for purposes of impairment testing for goodwill and indefinite life intangible assets may result in the estimated recoverable amount of some or all of the applicable business units declining below the carrying value with the result that impairment charges may be required. The amount of any impairment charge would affect some or all of the amounts recorded for goodwill and indefinite life intangible assets. Any such impairment charges would be determined after incorporating the effect of any changes in key assumptions including any consequential effects of such changes on estimated operating income and on other factors. In addition, notwithstanding that there may be no change in the performance estimates used by the Company for purposes of determining whether there has been any impairment in the indefinite life intangible asset, in the event that the Company changes the way in which it uses that asset the Company may be required to record an impairment charge.

## Revenue

### *Third quarter 2017 vs. third quarter 2016*

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

Revenue for the three months ended December 31, 2016 was \$208.1 million, an increase of 14.4% or \$26.3 million compared to the same period a year ago. The Canaccord Genuity segment experienced an increase of \$15.1 million in Q3/17 compared to the same quarter in the prior year, mainly due to higher investment banking and principal trading revenue, partially offset by reduced advisory fees. The Canaccord Genuity Wealth Management segment generated revenue of \$67.4 million during the three months ended December 31, 2016, an increase of \$6.7 million over Q3/16, due to higher commissions and fees and increased private client participation in new issue activity in our Canadian operations.

Commissions and fees revenue is primarily generated from private client trading activity and institutional sales and trading. Revenue generated from commissions and fees increased by \$7.6 million, to \$102.6 million in Q3/17, compared to the same period a year ago. Commissions and fees revenue earned in connection with the Canaccord Genuity Wealth Management segment was \$57.1 million, an increase of \$1.8 million over Q3/16. The Canaccord Genuity segment experienced an increase of \$5.9 million in commission and fees revenue compared to the same quarter in the prior year, mainly due to higher revenue earned in our Canadian and US operations.

Investment banking revenue increased by \$27.2 million or 141.5% compared to the same period a year ago across all our significant geographic regions, to \$46.5 million in Q3/17. The Canadian operations saw the greatest increase with \$10.2 million, or 206.0% compared to Q3/16.

Partially offsetting the increase in investment banking fees was a decrease in advisory fees revenue. Advisory fees revenue was \$17.1 million, a decrease of \$21.8 million or 56.0% from the same quarter a year ago. Reduced corporate activity resulted in decreases for all of our operating regions compared to the same quarter last year.

Principal trading revenue was \$33.6 million in Q3/17, representing a \$13.4 million increase compared to Q3/16. Our US and UK capital market operations experienced increases of \$7.3 million and \$2.1 million, respectively, in principal trading revenue compared to the same quarter in the prior year.

Interest revenue was \$4.0 million for the three months ended December 31, 2016, unchanged from Q3/16. Other revenue was \$4.3 million for Q3/17, a slight decrease of \$0.2 million from the same period a year ago.

### *Year-to-date fiscal 2017 vs. year-to-date fiscal 2016*

Revenue for the nine months ended December 31, 2016 was \$607.9 million, an increase of 3.6% or \$21.0 million compared to the same period a year ago, mainly due to improvements in principal trading and investment banking revenue, offset by lower advisory fees revenue.

Commissions and fees revenue was \$290.9 million, representing an increase of 4.3% or \$11.9 million compared to the nine months ended December 31, 2015, mostly due to higher revenue generated by our Canadian and US capital markets operations.

Revenue generated from investment banking activities increased by \$9.1 million to \$124.5 million for the nine months ended December 31, 2016, compared to \$115.5 million in the same period a year ago. The increase is primarily attributable to our Canadian and Australian capital markets operations, contributing \$15.8 million and \$13.3 million of the overall increase, respectively. The investment banking revenue from our North American wealth management operations also experienced an increase of \$7.6 million compared to the same period last year. Offsetting these increases were declines in our US, UK capital markets operations of \$6.7 million and \$19.6 million, respectively.

Advisory fees revenue of \$78.3 million represented a decrease of 25.6% or \$26.9 million compared to the same period in the prior year. The largest declines were in our US and UK capital markets operations, which experienced decreases of \$6.3 million and \$18.1 million, respectively, because of reduced corporate activity.

Revenue derived from principal trading was \$88.0 million, an increase of \$27.6 million compared to the same period last year, mainly due to higher revenue earned by our US and UK capital markets operations.

Interest revenue decreased by \$1.8 million compared to the nine months ended December 31, 2015 to \$11.6 million. Other revenue increased by \$1.1 million to \$14.6 million during the nine months ended December 31, 2016.

## Expenses

Expenses for the three months ended December 31, 2016 were \$202.4 million, a decrease of 62.0% or \$330.1 million from Q3/16. For the nine months ended December 31, 2016 expenses were \$591.4 million, a decrease of 36.0% or \$332.2 million compared to the same period of the prior year. The decrease in expenses was mainly due to the impairment charge related to goodwill and other assets in certain of our capital markets operations recorded in Q3/16. No impairment charges were recorded in Q3/17.

Excluding significant items <sup>(1)</sup>, total expenses as a percentage of revenue decreased by 16.1 percentage points in Q3/17 compared to Q3/16 as a result of an increase in revenue with reduced variable expenses across most operating segments as well as reduced fixed costs in accordance with cost saving initiatives implemented in connection with the restructuring which took place at the end of fiscal 2016. On a year-to-date basis, total expenses excluding significant items <sup>(1)</sup> as a percentage of revenue decreased by 4.0 percentage points compared to the nine months ended December 31, 2015. Excluding incentive compensation and significant items <sup>(1)</sup> total expenses decreased by \$18.3 million on a year-to-date basis compared to the same period in fiscal 2016.

The results for the quarter included certain non-recurring charges in the aggregate amount of \$6.0 million related to costs associated with the rationalization of our office space in Toronto, costs associated with the transition of new investment advisors onto the Company's wealth management platform in Canada and charges in connection with the acceleration of certain stock-based awards and contractual compensation payments. These costs were recorded as general and administrative expenses in Canaccord Genuity Wealth Management (North America) (\$0.7 million) and as premises and equipment and incentive compensation expenses in Corporate and Other (\$5.3 million). These costs have not been excluded for purposes of calculating the adjusted net income (referred to as net income excluding significant items <sup>(1)</sup>).

## EXPENSES AS A PERCENTAGE OF REVENUE

|   | Three months ended December 31 |               |                                 | Nine months ended December 31 |               | YTD-over-YTD<br>change |
|---|--------------------------------|---------------|---------------------------------|-------------------------------|---------------|------------------------|
|   | 2016                           | 2015          | Quarter-over-<br>quarter change | 2016                          | 2015          |                        |
| Incentive compensation                  | 51.4%                          | 58.2%         | (6.8) p.p.                      | 52.4%                         | 52.0%         | 0.4 p.p.               |
| Salaries and benefits                   | 10.1%                          | 12.9%         | (2.8) p.p.                      | 10.5%                         | 11.7%         | (1.2) p.p.             |
| Other overhead expenses <sup>(1)</sup>  | 35.8%                          | 42.8%         | (7.0) p.p.                      | 34.4%                         | 38.3%         | (3.9) p.p.             |
| Impairment of goodwill and other assets | —                              | 176.5%        | n.m.                            | —                             | 54.7%         | n.m.                   |
| Restructuring costs                     | —                              | 2.4%          | n.m.                            | —                             | 0.7%          | n.m.                   |
| <b>Total</b>                            | <b>97.3%</b>                   | <b>292.8%</b> | <b>(195.5) p.p.</b>             | <b>97.3%</b>                  | <b>157.4%</b> | <b>(60.1) p.p.</b>     |

<sup>(1)</sup> Consists of trading costs, premises and equipment, communication and technology, interest, general and administrative, amortization and development costs.  
p.p.: percentage points  
n.m.: not meaningful

## Compensation expense

### Third quarter 2017 vs. third quarter 2016

Incentive compensation expense was \$106.9 million, an increase of 1.1% compared to Q3/16. Incentive compensation expense as a percentage of revenue was 51.4%, a decrease of 6.8 percentage points from the same period last year. The decrease in the compensation ratio was because certain adjustments to certain compensation pools were recorded in Q3/16 as a result of the weak revenue environment at that time. Salaries and benefits expense decreased by \$2.4 million compared to Q3/16, to \$21.1 million in Q3/17, because of reduced headcount. Total compensation expense (incentive compensation plus salaries and benefits) as a percentage of consolidated revenue decreased from 71.1% in Q3/16 to 61.5% in Q3/17.

### Year-to-date fiscal 2017 vs. year-to-date fiscal 2016

Incentive compensation expense was \$318.6 million for the nine months ended December 31, 2016, an increase of 4.5% from the same period in the prior year. Incentive compensation as a percentage of total revenue was 52.4%, an increase of 0.4 percentage points over the same period in the prior year.

Salaries and benefits expense of \$63.6 million for the nine months ended December 31, 2016 was \$5.0 million or 7.3% lower than in the same period a year ago, mainly because of reduced headcount as discussed above. Total compensation expense (incentive compensation plus salaries and benefits) as a percentage of consolidated revenue was 62.9%, a decrease of 0.8 percentage points from 63.6% in the same period a year ago.

<sup>(1)</sup> Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 9.

## OTHER OVERHEAD EXPENSES

| (C\$ thousands, except % amounts) | Three months ended December 31 |           |                             | Nine months ended December 31 |            |                     |
|-----------------------------------|--------------------------------|-----------|-----------------------------|-------------------------------|------------|---------------------|
|                                   | 2016                           | 2015      | Quarter-over-quarter change | 2016                          | 2015       | YTD-over-YTD change |
| Trading costs                     | \$ 16,660                      | \$ 15,142 | 10.0%                       | \$ 46,648                     | \$ 43,059  | 8.3%                |
| Premises and equipment            | 12,723                         | 9,912     | 28.4%                       | 31,985                        | 29,849     | 7.2%                |
| Communication and technology      | 12,359                         | 14,234    | (13.2)%                     | 39,102                        | 42,104     | (7.1)%              |
| Interest                          | 2,834                          | 2,431     | 16.6%                       | 8,860                         | 8,014      | 10.6%               |
| General and administrative        | 21,478                         | 23,766    | (9.6)%                      | 59,761                        | 68,728     | (13.0)%             |
| Amortization <sup>(1)</sup>       | 5,454                          | 6,635     | (17.8)%                     | 16,019                        | 19,221     | (16.7)%             |
| Development costs                 | 2,884                          | 5,739     | (49.7)%                     | 6,834                         | 13,739     | (50.3)%             |
| Total other overhead expenses     | \$ 74,392                      | \$ 77,859 | (4.5)%                      | \$ 209,209                    | \$ 224,714 | (6.9)%              |

(1) Includes amortization of intangible assets. See the Selected Financial Information Excluding Significant Items table on page 13.

(2) Excludes restructuring costs and impairment of goodwill and other assets

**Third quarter 2017 vs. third quarter 2016**

Other overhead expenses were \$74.4 million, or 4.5% lower in Q3/17 compared to Q3/16. As a percentage of revenue, other overhead expenses decreased by 7.1 percentage points compared to Q3/16. The overall decline in other overhead expenses was mainly driven by decreases in development costs, general and administrative expense, amortization and communication and technology expenses, offset by increases in premises and equipment expense in Q3/17 related to the rationalization of our office space in Toronto and higher trading costs as a result of increased trading activity.

Development costs decreased by \$2.9 million compared to the three months ended December 31, 2015, mainly due to a \$2.3 million expense recorded in our Corporate and Other segment in the same period last year related to certain system and software development costs that were previously capitalized and expensed in Q3/16 as the project was terminated during that quarter.

General and administrative expense, which includes reserves, promotion and travel expense, office expense, professional fees and donations, was down by \$2.3 million, due to reduced expenditures across most operating segments in accordance with cost saving initiatives including initiatives implemented in connection with the restructuring that took place at the end of fiscal 2016.

Increased trading activity by the international equities group in our US capital markets operations contributed to the \$1.5 million increase in trading costs compared to Q3/16.

Communication and technology expense decreased by \$1.9 million or 13.2% from Q3/16 across most of our operating segments, most notably in our UK operations. This decrease is primarily due to the reduced head count in the UK operations.

Amortization expense was \$5.5 million for the three months ended December 31, 2016, a decrease of \$1.2 million from Q3/16 mostly related to lower amortization of intangible assets.

Premises and equipment expense increased by \$2.8 million compared to Q3/16 because of costs associated with the rationalization of our office space in Toronto recorded in our Corporate and Other segment. Benefits from this office space rationalization will be achieved in future periods through a decrease in rent expense.

During Q3/16, the Canaccord Genuity segment recorded restructuring costs of \$3.0 million related to the staff reductions in our US operations and the closure of our Barbados office. In addition, the Company recorded impairment charges related to goodwill and other assets in connection with our capital markets operations in Canada, US, UK, Australia and Other Foreign Locations — Singapore of \$321.0 million.

**Year-to-date fiscal 2017 vs. year-to-date fiscal 2016**

Other overhead expenses for the nine months ended December 31, 2016 decreased by \$15.5 million, to \$209.2 million, from the same period a year ago. The decreases in development costs, general and administrative expense, and amortization expense were offset by increases in premises and equipment expense, interest expense, and trading costs.

Development costs decreased by \$6.9 million during the period compared to the nine months ended December 31, 2015, mostly as a result of certain system and software development costs expensed in our Corporate and Other segment in the same period last year, as well as lower system development costs in our UK & Europe wealth management operations.

General and administrative expense decreased by \$9.0 million for the nine months ended December 31, 2016 compared to the same period last year across most of our operating segments because of cost reduction initiatives as well as reduced activity level. Our wealth management operations recorded higher general and administrative expense compared to the same period last year as a result of increased activity level and higher client transfer-in fees in connection with adding new investment advisors onto the Canadian wealth management platform.

Amortization expense decreased by \$3.2 million or 16.7% compared to the same period in the prior year, primarily due to a decrease in intangible assets amortization expense.



Communication and technology expense decreased by \$3.0 million for the nine months ended December 31, 2016, to \$39.1 million, largely as a result of reduced headcount in our UK capital markets operations and depreciation of pound sterling against the Canadian dollar.

Offsetting the expense reductions discussed above are higher premises and equipment expense, interest expense and trading costs. Costs associated with rationalization of our office space in Toronto led to an increase of \$2.1 million in our premises and equipment expense. Trading costs increased by \$3.6 million mainly as a result of increased trading activity in our US operations.

## Net income (loss)

### Third quarter 2017 vs. third quarter 2016

Net income for Q3/17 was \$4.5 million compared to net loss of \$346.4 million in the same period a year ago. Diluted EPS was \$0.01 in Q3/17 compared to a loss per common share of \$3.91 in Q3/16. The increase in net income was mostly attributable to the goodwill and other assets impairment charges of \$321.0 million recognized in Q3/16.

Excluding significant items<sup>(1)</sup>, net income for Q3/17 was \$6.3 million compared to a net loss of \$19.1 million in Q3/16. Higher revenue combined with a decrease in compensation ratio and a reduction in overhead expenses all led to the increase in net income excluding significant items.<sup>(1)</sup> Diluted EPS excluding significant items<sup>(1)</sup> was \$0.03 in Q3/17 compared to a loss per common share, excluding significant items<sup>(1)</sup> of \$0.25 in Q3/16.

The effective tax rate for Q3/17 was 20.4% compared to an effective tax recovery rate of 1.2% in the same quarter last year. The increase in the effective tax recovery rate was mainly due to lower non-deductible items affecting the determination of taxable income and higher deferred tax assets in our foreign operations which were not recognized in Q3/16

### Year-to-date fiscal 2017 vs. year-to-date fiscal 2016

Net income for the nine months ended December 31, 2016 was \$12.2 million compared to a net loss of \$335.9 million for the same period a year ago, an increase of \$348.1 million, largely related to the goodwill and other assets impairment charges recorded in Q3/16. Diluted EPS was \$0.01 compared to a loss per common share of \$3.78 a year ago. Excluding significant items<sup>(1)</sup> net income was \$16.5 million and diluted EPS was \$0.05, compared to a net loss of \$3.9 million and a loss per common share of \$0.15 in the same period a year ago.

Income tax expense was \$4.3 million for the nine months ended December 31, 2016, reflecting a year-to-date effective tax rate of 26.0%, compared to an income tax recovery of \$0.8 million and an effective tax rate of 0.2% for the same period last year. The change in effective tax rate was mainly due to lower non-deductible items affecting the determination of taxable income and higher deferred tax assets in our foreign operations which were not recognized in Q3/16.

## Results of Operations by Business Segment

### CANACCORD GENUITY<sup>(1)(2)</sup>

| (C\$ thousands, except number of employees and % amounts) | Three months ended December 31 |              |                             | Nine months ended December 31 |              | YTD-over-YTD change |
|---|--------------------------------|--------------|-----------------------------|-------------------------------|--------------|---------------------|
|   | 2016                           | 2015         | Quarter-over-quarter change | 2016                          | 2015         |                     |
| Revenue   | \$ 137,268                     | \$ 122,145   | 12.4%                       | \$ 404,871                    | \$ 393,691   | 2.8%                |
| Expenses  |                                |              |                             |                               |              |                     |
| Incentive compensation                                    | 74,940                         | 80,084       | (6.4)%                      | 228,467                       | 223,559      | 2.2%                |
| Salaries and benefits                                     | 6,514                          | 7,513        | (13.3)%                     | 19,469                        | 20,728       | (6.1)%              |
| Other overhead expenses                                   | 45,860                         | 50,548       | (9.3)%                      | 135,648                       | 149,775      | (9.4)%              |
| Impairment of goodwill and other assets                   | —                              | 321,037      | (100.0)%                    | —                             | 321,037      | (100.0)%            |
| Restructuring costs                                       | —                              | 2,977        | (100.0)%                    | —                             | 2,977        | (100.0)%            |
| Total expenses  | 127,314                        | 462,159      | (72.6)%                     | 383,584                       | 718,076      | (46.6)%             |
| Intersegment allocations <sup>(3)</sup>                   | 5,016                          | 3,918        | 28.0%                       | 13,046                        | 12,021       | 8.5%                |
| Income (loss) before income taxes <sup>(3)</sup>          | \$ 4,938                       | \$ (343,932) | 101.4%                      | \$ 8,241                      | \$ (336,406) | 102.4%              |
| Number of employees                                       | 774                            | 854          | (9.4)%                      |                               |              |                     |
| <b>Excluding significant items<sup>(4)</sup></b>          |                                |              |                             |                               |              |                     |
| Total revenue   | \$ 137,268                     | \$ 122,145   | 12.4%                       | \$ 403,678                    | \$ 393,691   | 2.5%                |
| Total expenses  | 126,484                        | 136,812      | (7.5)%                      | 381,109                       | 389,999      | (2.3)%              |
| Intersegment allocations <sup>(3)</sup>                   | 5,016                          | 3,918        | 28.0%                       | 13,046                        | 12,021       | 8.5%                |
| Income (loss) before income taxes <sup>(3)</sup>          | 5,767                          | (18,585)     | 131.0%                      | 9,522                         | (8,329)      | 214.3%              |

(1) Data is in accordance with IFRS except for figures excluding significant items and number of employees.

(2) The operating results of Canaccord Genuity (Australia) Limited have been consolidated and a 42% non-controlling interest has been recognized and included in the Canaccord Genuity business segment for the three and nine months ended December 31, 2016 [three and nine months ended December 31, 2015 — 40%].

(3) Income (loss) before income taxes includes intersegment allocated costs. See the Intersegment Allocated Costs section on page 25.

(4) Refer to the Selected Financial Information Excluding Significant Items table on page 13.

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 9.

Canaccord Genuity provides investment banking, research, and sales and trading services to corporate, institutional and government clients and it conducts principal trading activities in Canada, the US, the UK, and the Asia-Pacific region. Canaccord Genuity has offices in 19 cities in 8 countries worldwide.

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

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

#### REVENUE BY GEOGRAPHY AS A PERCENTAGE OF CANACCORD GENUITY REVENUE

|                         | Three months ended December 31 |        | Quarter-over-quarter change | Nine months ended December 31 |        | YTD-over-YTD change |
|-------------------------|--------------------------------|--------|-----------------------------|-------------------------------|--------|---------------------|
|                         | 2016                           | 2015   |                             | 2016                          | 2015   |                     |
| Revenue generated in:   |                                |        |                             |                               |        |                     |
| Canada                  | 23.3%                          | 27.2%  | (3.9) p.p.                  | 27.0%                         | 23.5%  | 3.5 p.p.            |
| UK                      | 23.3%                          | 24.0%  | (0.7) p.p.                  | 20.9%                         | 28.7%  | (7.8) p.p.          |
| US                      | 44.3%                          | 42.1%  | 2.2 p.p.                    | 41.9%                         | 41.2%  | 0.7 p.p.            |
| Australia               | 9.0%                           | 5.7%   | 3.3 p.p.                    | 9.7%                          | 5.4%   | 4.3 p.p.            |
| Other Foreign Locations | 0.1%                           | 1.0%   | (0.9) p.p.                  | 0.6%                          | 1.2%   | (0.6) p.p.          |
|                         | 100.0%                         | 100.0% |                             | 100.0%                        | 100.0% |                     |

p.p.: percentage points

#### Third quarter 2017 vs. third quarter 2016

##### Revenue

Canaccord Genuity generated revenue of \$137.3 million in Q3/17, an increase of 12.4% or \$15.1 million from the same quarter a year ago. The largest increase in revenue was in our US operations, which recorded an increase of \$9.4 million, mostly as a result of higher investment banking and principal trading revenue partially offset by a decrease in advisory fees revenue. Our Australian operations also recorded a significant increase of \$5.5 million or 79.7%, primarily from investment banking revenue. Our UK capital markets operation generated \$32.0 million of revenue in Q3/17, a \$2.7 million increase over the same period in the prior year due to an increase in principal trading revenue. In our Other Foreign Locations, now comprised of only our Asian-based operations, revenue decreased by \$1.2 million in Q3/17 compared to same period in the prior year. Our Q3/16 results included contributions from our Singapore operation that was disposed of during Q1/17.

##### Expenses

Expenses for Q3/17 were \$127.3 million, a decrease of \$334.8 million compared to Q3/16. Expenses in Q3/16 included impairment charges relating to goodwill and other assets in certain capital markets business units. Excluding significant items<sup>(1)</sup>, total expenses as a percentage of revenue decreased by 19.9 percentage points compared to the same quarter in the prior year primarily as a result of changes in compensation ratios as described below.

##### Incentive compensation and salaries and benefits

Incentive compensation expense for Q3/17 decreased by \$5.1 million or 6.4% compared to Q3/16. Incentive compensation expense as a percentage of revenue was 54.6%, a decrease of 11.0 percentage points from Q3/16. Total compensation expense as a percentage of revenue was 59.3%, 12.4 percentage points lower than in Q3/16.

Overall total compensation as a percentage of revenue decreased across all geographies. In Q3/16, as a result of weaker market conditions, certain incentive compensation pools as recorded under our normal methodology were determined to be lower than would be required to provide for necessary compensation to selective key production staff and, as a result of adjustments to these pools our compensation expense as a percentage of revenue was substantially higher in Q3/16 compared to the current quarter. In Canada, total compensation as a percentage of revenue decreased by 1.9 percentage points compared to Q3/16. Our US operations experienced a decrease of 8.0 percentage points in its total compensation ratio due to higher revenue as well as certain pool adjustments recorded in Q3/16 as discussed above. In our UK operations, total compensation expense as a percentage of revenue decreased by 33.0 percentage points compared to Q3/16 due to the Q3/16 adjustments described above. In addition, fixed compensation for our UK operations have decreased as a result of headcount reduction. Total compensation expense as a percentage of revenue in our Australian operations was 58.4% in Q3/17, a decrease of 12.1 percentage points due to a significant increase in revenue. There was also a reduction in fixed staff costs in our Asian-based operations in Beijing and Hong Kong and due to the sale of our operation in Singapore.

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 9.

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

|                           | Three months ended December 31 |       |                                 | Nine months ended December 31 |       | YTD-over-YTD<br>change |
|---------------------------|--------------------------------|-------|---------------------------------|-------------------------------|-------|------------------------|
|                           | 2016                           | 2015  | Quarter-over-<br>quarter change | 2016                          | 2015  |                        |
| Canada                    | 54.4%                          | 56.2% | (1.8) p.p.                      | 55.2%                         | 52.1% | 3.1 p.p.               |
| UK                        | 63.3%                          | 96.3% | (33.0) p.p.                     | 73.9%                         | 72.2% | 1.7 p.p.               |
| US                        | 59.2%                          | 67.2% | (8.0) p.p.                      | 59.6%                         | 59.0% | 0.6 p.p.               |
| Australia                 | 58.4%                          | 70.5% | (12.1) p.p.                     | 56.6%                         | 66.5% | (9.9) p.p.             |
| Other Foreign Locations   | n.m.                           | 99.8% | n.m.                            | 83.0%                         | 98.4% | (15.4) p.p.            |
| Canaccord Genuity (total) | 59.3%                          | 71.7% | (12.4) p.p.                     | 61.2%                         | 62.1% | (0.8) p.p.             |

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

*Other overhead expenses*

Total other overhead expenses excluding significant items<sup>(1)</sup> for Q3/17 were \$45.0 million, a decrease of 8.5% compared to Q3/16. The most significant decreases in other overhead expenses included general and administrative expense, amortization, and development costs.

General and administrative expense in Q3/17 was \$12.2 million, a decrease of \$2.3 million or 16.1% over Q3/16, as a result of cost reductions across the different geographic regions.

Development costs decreased by \$0.7 million or 48.4% in Q3/17 compared to the same period last year, as a result of lower recruitment costs and hiring incentives in our US and UK operations.

Communication and technology expense decreased by \$0.9 million or 9.8% to \$8.6 million in Q3/17, mostly as a result of lower costs resulting from headcount reductions in our UK operations.

Trading costs increased by \$0.7 million in Q3/17 compared to Q3/16 primarily due to higher trading costs incurred in the US as a result of increased international trading activity.

During Q3/16, the Canaccord Genuity segment recorded restructuring costs of \$3.0 million related to the staff reductions in our US operations and the closure of our Barbados office. In addition, the Company recorded impairment charges related to goodwill and other assets in connection with our capital markets operations in Canada, US, UK, Australia and Other Foreign Locations — Singapore of \$321.0 million.

*Income before income taxes*

Income before income taxes, including allocated overhead expenses, was \$4.9 million in Q3/17 compared to a net loss of \$343.9 million in the same quarter a year ago. Excluding significant items<sup>(1)</sup>, income before income taxes, including allocated overhead expenses, increased from a loss of \$18.6 million in Q3/16 to an income before income taxes of \$5.8 million in Q3/17. The increase in operating income in Q3/17 was attributable to higher revenue, lower compensation ratio as well as lower overhead costs.

*Year-to-date fiscal 2017 vs. year-to-date fiscal 2016**Revenue*

Revenue for Canaccord Genuity in the nine months ended December 31, 2016 was \$404.9 million, an increase of \$11.2 million compared to the same period last year. Revenue increased most notably in Canada and Australia, where revenue increased by 18.3% or \$16.9 million and 83.8% or \$17.9 million, respectively, compared to the same period last year. Revenue in our UK operations decreased by 25.1% or \$28.3 million compared to the nine months ended December 31, 2015 due to weakened market conditions in the region. Our US operations generated revenue of \$169.5 million, which represents an increase of 4.5% from the same period in fiscal 2016.

*Expenses*

Expenses for the nine months ended December 31, 2016 were \$383.6 million, a decrease of 46.6% or \$334.5 million from the same period last year. Total expenses excluding significant items<sup>(1)</sup> as a percentage of revenue decreased by 4.8 percentage points compared to the first nine months of fiscal 2016 as a result of the increase in revenue as well as general reductions in overhead expenses.

*Incentive compensation and salaries and benefits*

Incentive compensation expense as a percentage of revenue decreased by 0.4 percentage points to 56.4% for the nine months ended December 31, 2016. Total compensation as a percentage of revenue decreased from 62.1% for the nine months ended December 31, 2015 to 61.2% in the current period.

*Other overhead expenses*

Other overhead expenses decreased in all categories except for trading costs and interest expense.

Development costs decreased by \$2.6 million from the same period in the prior year mainly due to a \$1.3 million decrease in our UK operations and a \$0.8 million decrease in our US operations, as a result of lower new hire incentive costs.

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 9.

General and administrative expense decreased by \$7.8 million compared to the nine months ended December 31, 2015, as a result of reduced expenditures in our US and UK operations. Our Canadian and Australian operations reported a slight increase in general and administrative expense as a result of the growth in these regions. Amortization expense decreased by \$2.6 million to \$8.0 million in Q3/17 compared to the same period in the prior year mainly as a result of lower amortization of intangible assets in our Australian operations.

The increase in trading costs are mainly due to higher execution and settlement charges in connection with our international trading activity by our US operations.

#### Income before income taxes

Income before income taxes for the nine months ended December 31, 2016 was \$8.2 million, an increase of \$344.6 million from a loss of \$336.4 million in the same period a year ago. Excluding significant items<sup>(1)</sup>, income before income taxes for the nine months ended December 31, 2016 was \$9.5 million, an increase of \$17.9 million from the same period a year ago. The increase in income before income taxes was mainly attributable to higher revenue generated in our Canadian and Australian operations as well as expense reductions.

### CANACCORD GENUITY WEALTH MANAGEMENT

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

#### CANACCORD GENUITY WEALTH MANAGEMENT NORTH AMERICA<sup>(1)</sup>

| (C\$ thousands, except AUM and AUA (in C\$ millions), number of employees, Advisory Teams and % amounts) | Three months ended December 31 |            |  | Quarter-over-quarter change | Nine months ended December 31 |            | YTD-over-YTD change |
|--|--------------------------------|------------|--|-----------------------------|-------------------------------|------------|---------------------|
|  | 2016                           | 2015       |  |                             | 2016                          | 2015       |                     |
| Revenue  | \$ 32,819                      | \$ 25,616  |  | 28.1%                       | \$ 92,024                     | \$ 82,687  | 11.3%               |
| Expenses   |                                |            |  |                             |                               |            |                     |
| Incentive compensation   | 15,633                         | 11,919     |  | 31.2%                       | 44,960                        | 40,054     | 12.2%               |
| Salaries and benefits  | 2,767                          | 2,727      |  | 1.5%                        | 8,301                         | 8,387      | (1.0)%              |
| Other overhead expenses  | 10,552                         | 8,738      |  | 20.8%                       | 26,730                        | 24,413     | 9.5%                |
| Total expenses   | 28,952                         | 23,384     |  | 23.8%                       | 79,991                        | 72,854     | 9.8%                |
| Intersegment allocations <sup>(2)</sup>  | 4,348                          | 4,592      |  | (5.3)%                      | 11,527                        | 14,251     | (19.1)%             |
| Income (loss) before income taxes <sup>(2)</sup>   | \$ (481)                       | \$ (2,360) |  | 79.6%                       | \$ 506                        | \$ (4,418) | 111.5%              |
| AUM – Canada (discretionary) <sup>(3)</sup>  | 2,527                          | 1,262      |  | 100.2%                      |                               |            |                     |
| AUA – Canada <sup>(4)</sup>  | 11,969                         | 9,035      |  | 32.5%                       |                               |            |                     |
| Number of Advisory Teams – Canada  | 139                            | 140        |  | (0.7)%                      |                               |            |                     |
| Number of employees  | 354                            | 361        |  | (1.9)%                      |                               |            |                     |
| <b>Excluding significant items<sup>(5)</sup></b>   |                                |            |  |                             |                               |            |                     |
| Total expenses   | \$ 28,952                      | \$ 23,384  |  | 23.8%                       | \$ 79,991                     | \$ 72,854  | 9.8%                |
| Intersegment allocations <sup>(2)</sup>  | 4,348                          | 4,592      |  | (5.3)%                      | 11,527                        | 14,251     | (19.1)%             |
| Income (loss) before income taxes <sup>(2)</sup>   | (481)                          | (2,360)    |  | 79.6%                       | 506                           | (4,418)    | 111.5%              |

(1) Data is in accordance with IFRS except for AUM, AUA, number of Advisory Teams and number of employees. See Non-IFRS Measures on page 9.

(2) Income (loss) before income taxes includes intersegment allocations. See the Intersegment Allocated Costs section on page 25.

(3) AUM in Canada are assets managed on a discretionary basis under our programs generally described as or known as the Complete Canaccord Investment Counselling Program and the Complete Canaccord Private Investment Management Program.

(4) AUA in Canada is the market value of client assets administered by the Company, from which the Company earns commissions and fees and includes AUM.

(5) Refer to the Selected Financial Information Excluding Significant Items table on page 13.

#### Third quarter 2017 vs. third quarter 2016

Revenue from Canaccord Genuity Wealth Management North America was \$32.8 million, an increase of \$7.2 million or 28.1% compared to the three months ended December 31, 2015, as a result of stronger market conditions, and increased private client participation in corporate finance transactions.

AUA in Canada increased by 32.5% to \$12.0 billion at December 31, 2016 compared to \$9.0 billion at December 31, 2015. AUM in Canada also increased by 100.2% compared to Q3/16 mainly due to new assets acquired during the quarter as a result of our development initiatives in this sector. There were 139 Advisory Teams in Canada, a decrease of one from a year ago. Fee-related revenue in our North American operations as a percentage of total revenue decreased by 12.9 percentage points compared to Q3/16 and accounted for 33.7% of the wealth management revenue in Canada during the third quarter of fiscal 2017. With a shift to increased transactional activity during the quarter fee-related revenue declined by approximately \$1.0 million in Q3/17 compared to Q3/16. The percentage of revenue decrease was primarily as a result of the 28.1% increase in revenue from Q3/16 to Q3/17.

As a result of the revenue increase in Q3/17 compared to Q3/16 and the relatively fixed nature of expenses other than incentive compensation, total expenses as a percentage of revenue decreased by 3.1 percentage points compared to Q3/16.

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 9.

Incentive compensation expense increased by \$3.7 million compared to Q3/16, consistent with the increase in incentive-based revenue. Total compensation expense as a percentage of revenue decreased by 1.1 percentage points compared to Q3/16 due to lower fixed compensation levels.

Non-compensation expense increased by \$1.8 million compared to Q3/16, mainly due to increases in development costs, general and administrative expense, premises and equipment expense, and trading costs to support the growth in this operating segment.

Loss before income taxes was \$0.5 million in Q3/17 compared to a loss of \$2.4 million in the same period a year ago primarily resulting from the higher revenue.

#### Year-to-date fiscal 2017 vs. year-to-date fiscal 2016

Revenue from Canaccord Genuity Wealth Management North America was \$92.0 million during the nine months ended December 31, 2016, an increase of \$9.3 million or 11.3% from the same period in the prior year.

Expenses for the nine months ended December 31, 2016 were \$80.0 million, an increase of \$7.1 million or 9.8% from the same period in the prior year. Total expenses as a percentage of revenue decreased by 1.2 percentage points compared to the same period last year.

Incentive compensation expense increased by \$4.9 million compared to the first nine months of fiscal 2016 as a result of higher incentive-based revenue. Total compensation as a percentage of revenue decreased by 0.7 percentage points compared to the same period last year.

Non-compensation expense increased by \$2.3 million compared to the same period in the prior year, mainly due to a \$1.7 million increase in trading costs arising from increased activity levels and a \$0.7 million increase in premises and equipment expense. The increases in trading costs and premises and equipment expense were offset by a decline in communication and technology expense as well as a decrease in intersegment allocated costs from our Corporate and Other segment.

Income before income taxes for the nine months ended December 31, 2016 was \$0.5 million, compared to a loss before income taxes of \$4.4 million for the same period a year ago reflecting the revenue growth and reduction in costs in the current period compared to the nine months ended December 31, 2015.

#### CANACCORD GENUITY WEALTH MANAGEMENT UK & EUROPE<sup>(4)</sup>

| (C\$ thousands, except AUM (in C\$ millions), number of employees, investment professionals and fund managers, and % amounts) | Three months ended December 31 |           |  | Quarter-over-quarter change | Nine months ended December 31 |            |                     |
|---|--------------------------------|-----------|--|-----------------------------|-------------------------------|------------|---------------------|
|   | 2016                           | 2015      |  |                             | 2016                          | 2015       | YTD-over-YTD change |
| Revenue   | \$ 34,549                      | \$ 35,040 |  | (1.4)%                      | \$ 101,754                    | \$ 103,446 | (1.6)%              |
| Expenses  |                                |           |  |                             |                               |            |                     |
| Incentive compensation  | 11,439                         | 12,424    |  | (7.9)%                      | 35,812                        | 36,725     | (2.5)%              |
| Salaries and benefits   | 5,335                          | 5,988     |  | (10.9)%                     | 16,123                        | 17,553     | (8.1)%              |
| Other overhead expenses   | 10,602                         | 11,050    |  | (4.1)%                      | 30,791                        | 32,999     | (6.7)%              |
| Total expenses  | 27,376                         | 29,462    |  | (7.1)%                      | 82,726                        | 87,277     | (5.2)%              |
| Intersegment allocations <sup>(2)</sup>   | 346                            | 622       |  | (44.4)%                     | 990                           | 1,853      | (46.6)%             |
| Income before income taxes <sup>(2)</sup>   | \$ 6,827                       | \$ 4,956  |  | 37.8%                       | \$ 18,038                     | \$ 14,316  | 26.0%               |
| AUM – UK and Europe <sup>(3)</sup>  | 23,383                         | 24,530    |  | (4.7)%                      |                               |            |                     |
| Number of investment professionals and fund managers – UK and Europe  | 115                            | 117       |  | (1.7)%                      |                               |            |                     |
| Number of employees   | 309                            | 317       |  | (2.5)%                      |                               |            |                     |
| <b>Excluding significant items<sup>(4)</sup></b>  |                                |           |  |                             |                               |            |                     |
| Total expenses  | \$ 26,102                      | \$ 27,902 |  | (6.5)%                      | \$ 78,724                     | \$ 82,693  | (4.8)%              |
| Intersegment allocations <sup>(2)</sup>   | 346                            | 622       |  | (44.4)%                     | 990                           | 1,853      | (46.6)%             |
| Income before income taxes <sup>(2)</sup>   | 8,101                          | 6,516     |  | 24.3%                       | 22,040                        | 18,900     | 16.6%               |

(1) Data is in accordance with IFRS except for AUM, number of investment professionals and fund managers and number of employees. See Non-IFRS Measures on page 9.

(2) Income before income taxes includes intersegment allocations. See the Intersegment Allocated Costs section on page 25.

(3) AUM in the UK & Europe is the market value of client assets managed and administered by the Company, from which the Company earns commissions and fees. This measure includes both discretionary and non-discretionary accounts.

(4) Refer to the Selected Financial Information Excluding Significant Items table on page 13.

#### Third quarter 2017 vs. third quarter 2016

Revenue generated by our Canaccord Genuity Wealth Management UK & Europe operation is largely produced through fee-related accounts and portfolio management activities and, as such, is less sensitive to changes in market conditions. Revenue for Q3/17 was \$34.5 million, a slight decrease of 1.4% compared to Q3/16. Measured in local currency (GBP), revenue was £20.9 million during the third quarter of fiscal 2017, an increase of £3.6 million or 20.7% compared to the same quarter of the previous fiscal year.

AUM in the UK & Europe as of December 31, 2016 was \$23.4 billion, a decrease of 4.7% compared to \$24.5 billion as of December 31, 2015. Measured in local currency (GBP), AUM increased by 18.5% when compared to December 31, 2015. The fee-related revenue in our UK &

European wealth management operations accounted for 68.1% of total revenue in this geography in Q3/17. As discussed above, this business has a higher proportion of fee-related revenue and managed accounts compared to our Canadian wealth management business.

Incentive compensation expense was \$11.4 million, a \$1.0 million decrease from \$12.4 million in Q3/16. Salaries and benefits expense decreased by \$0.7 million compared to Q3/16 to \$5.3 million in Q3/17. Total compensation expense (incentive compensation plus salaries and benefits) as a percentage of revenue decreased by 4.0 percentage points from 52.5% in Q3/16 to 48.6% in Q3/17.

Other overhead expenses for the three months ended December 31, 2016 decreased by \$0.4 million compared to Q3/16. Development costs, premises and equipment expense and communication and technology expense all decreased compared to Q3/16 as a result of cost reduction efforts. Offsetting the expense reductions are increases in general and administrative expense and trading costs related to additional costs incurred to support the growth in this operating segment.

Income before income taxes was \$6.8 million compared to \$5.0 million in the same period a year ago as a result of reduced expenses. Excluding significant items<sup>(1)</sup>, which include amortization of intangible assets, net income before income taxes was \$8.1 million, an increase of \$1.6 million compared to net income before income taxes of \$6.5 million in Q3/16.

#### Year-to-date fiscal 2017 vs. year-to-date fiscal 2016

Revenue from Canaccord Genuity Wealth Management UK and Europe was \$101.8 million for the nine months ended December 31, 2016, a decrease of \$1.7 million or 1.6% from the same period in the prior year.

Expenses for the nine months ended December 31, 2016 were \$82.7 million, a decrease of \$4.6 million or 5.2% from the same period in the prior year.

Total compensation expense (incentive compensation plus salaries and benefits) as a percentage of revenue decreased by 1.4 percentage points to 51.0% for the nine months ended December 31, 2016 mainly due to a decline in salaries and benefits expense.

Trading costs increased by \$0.6 million and general and administrative expense increased by \$0.5 million compared to the same period last year. Offsetting these increases were decreases in communication and technology expense, amortization expense, and development costs.

Income before income taxes was \$18.0 million compared to \$14.3 million in the same period a year ago mainly as a result of expense reductions during the current period. Excluding significant items<sup>(1)</sup>, net income before income taxes was \$22.0 million, an increase of \$3.1 million compared to the same period of the prior year.

#### CORPORATE AND OTHER<sup>(1)</sup>

| (C\$ thousands, except number of employees and % amounts) | Three months ended December 31 |            |                             | Nine months ended December 31 |             | YTD-over-YTD change |
|---|--------------------------------|------------|-----------------------------|-------------------------------|-------------|---------------------|
|   | 2016                           | 2015       | Quarter-over-quarter change | 2016                          | 2015        |                     |
| Revenue   | \$ 3,472                       | \$ (964)   | n.m.                        | \$ 9,241                      | \$ 7,069    | 30.7%               |
| Expenses  |                                |            |                             |                               |             |                     |
| Incentive compensation                                    | 4,929                          | 1,347      | 265.9%                      | 9,357                         | 4,617       | 102.7%              |
| Salaries and benefits                                     | 6,448                          | 7,281      | (11.4)%                     | 19,713                        | 21,915      | (10.0)%             |
| Other overhead expenses                                   | 7,378                          | 7,523      | (1.9)%                      | 16,040                        | 17,527      | (8.5)%              |
| Restructuring costs                                       | —                              | 1,300      | (100.0)%                    | —                             | 1,300       | (100.0)%            |
| Total expenses  | 18,755                         | 17,451     | 7.5%                        | 45,110                        | 45,359      | (0.5)%              |
| Intersegment allocations <sup>(2)</sup>                   | (9,710)                        | (9,132)    | (6.3)%                      | (25,563)                      | (28,125)    | 9.1%                |
| (Loss) income before income taxes <sup>(2)</sup>          | \$ (5,573)                     | \$ (9,283) | 40.0%                       | \$ (10,306)                   | \$ (10,165) | (1.4)%              |
| Number of employees                                       | 281                            | 326        | (13.8)%                     |                               |             |                     |
| <b>Excluding significant items<sup>(3)</sup></b>          |                                |            |                             |                               |             |                     |
| Total expenses  | \$ 18,755                      | \$ 16,151  | 16.1%                       | \$ 45,110                     | \$ 44,059   | 2.4%                |
| Intersegment allocations <sup>(2)</sup>                   | (9,710)                        | (9,132)    | (6.3)%                      | (25,563)                      | (28,125)    | 9.1%                |
| (Loss) income before income taxes <sup>(2)</sup>          | (5,573)                        | (7,983)    | 30.2%                       | (10,306)                      | (8,865)     | (16.3)%             |

(1) Data is in accordance with IFRS except for figures excluding significant items and number of employees. See Non-IFRS Measures on page 9.

(2) (Loss) income before income taxes includes intersegment allocations. See the Intersegment Allocated Costs section on page 25.

(3) Refer to the Selected Financial Information Excluding Significant Items table on page 13.

n.m. not meaningful

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

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 9.

Costs in respect of support services including information technology, compliance, risk management, operations, finance and other administrative and executive functions are recharged to the Canaccord Genuity and Canaccord Genuity Wealth Management segments and are reflected in allocated costs.

***Third quarter 2017 vs. third quarter 2016***

Revenue in the Corporate and Other segment for the three months ended December 31, 2016 was \$3.5 million, an increase of \$4.4 million from the same quarter a year ago.

Expenses for Q3/17 increased by \$1.3 million or 7.5%, to \$18.8 million compared to the three months ended December 31, 2015. Incentive compensation expense increased by \$3.6 million compared to Q3/16 primarily as a result of charges in connection with the acceleration of certain stock-based awards and contractual compensation payments. Premises and equipment expense increased by \$2.9 million compared to Q3/16 as a result of costs associated with the rationalization of our office space in Toronto.

Offsetting these increases were decreases in general and administrative expense and developments costs of \$1.0 million and \$2.5 million, respectively. The decrease in general and administrative expense was mainly due to cost reduction efforts. Development costs decreased by \$2.5 million compared to the three months ended December 31, 2015, mainly due to a \$2.3 million expense recorded in the same period last year related to certain system and software development costs that were previously capitalized and expensed in Q3/16 as the project was terminated during that quarter.

During Q3/16, the Company also recorded restructuring costs in Q3/16 of \$1.3 million in connection with certain executive changes in Canada.

Overall, loss before income taxes was \$5.6 million compared to a loss before income taxes of \$9.3 million in the same period a year ago.

***Year-to-date fiscal 2017 vs. year-to-date fiscal 2016***

Revenue was \$9.2 million for the nine months ended December 31, 2016, an increase of \$2.2 million from the same period in the prior year.

Expenses for the nine months ended December 31, 2016 were \$45.1 million, a decrease of \$0.2 million from the same period last year. Salaries and benefits expense decreased by \$2.2 million as a result of reduced headcount. Premises and equipment expense increased by \$2.5 million as a result of the rationalization of our Toronto office space as discussed above, but was offset by decreases in general and administrative expense and development costs.

Overall, loss before income taxes, after intersegment allocations, was \$10.3 million for the nine months ended December 31, 2016, unchanged from the same period a year ago. Excluding significant items<sup>(1)</sup>, loss before income taxes was \$10.3 million in the nine months ended December 31, 2016 compared to a loss before income taxes of \$8.9 million in the same period last year.

<sup>(1)</sup> Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 9.

## Quarterly Results

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

The following table provides selected quarterly financial information for the eight most recently completed financial quarters ended on or before December 31, 2016. This information is unaudited but reflects all adjustments of a recurring nature, which are, in the opinion of management, necessary to present a fair statement of the results of operations for the periods presented. Quarter-to-quarter comparisons of financial results are not necessarily meaningful and should not be relied upon as indications of future performance.

| (C\$ thousands,<br>except per share amounts) | Fiscal 2017 |            |            | Fiscal 2016 |            |            |            | Fiscal 2015 |
|--|-------------|------------|------------|-------------|------------|------------|------------|-------------|
|  | Q3          | Q2         | Q1         | Q4          | Q3         | Q2         | Q1         | Q4          |
| Revenue                                      |             |            |            |             |            |            |            |             |
| Canaccord Genuity                            | \$ 137,268  | \$ 127,005 | \$ 140,598 | \$ 138,579  | \$ 122,145 | \$ 126,511 | \$ 145,035 | \$ 159,379  |
| Canaccord Genuity Wealth Management:         |             |            |            |             |            |            |            |             |
| North America                                | 32,819      | 29,732     | 29,473     | 25,521      | 25,616     | 26,155     | 30,916     | 33,079      |
| UK & Europe                                  | 34,549      | 33,958     | 33,247     | 34,913      | 35,040     | 34,039     | 34,367     | 35,672      |
| Corporate and Other                          | 3,472       | 2,907      | 2,862      | 1,899       | (964)      | 3,897      | 4,136      | 4,335       |
| Total revenue                                | \$ 208,108  | \$ 193,602 | \$ 206,180 | \$ 200,912  | \$ 181,837 | \$ 190,602 | \$ 214,454 | \$ 232,465  |
| Net income (loss)                            | 4,544       | 200        | 7,455      | (22,709)    | (346,388)  | (431)      | 10,961     | (26,322)    |
| Earnings (loss) per common share – basic     | \$ 0.01     | \$ (0.05)  | \$ 0.04    | \$ (0.29)   | \$ (3.91)  | \$ (0.03)  | \$ 0.08    | \$ (0.33)   |
| Earnings (loss) per common share – diluted   | \$ 0.01     | \$ (0.05)  | \$ 0.04    | \$ (0.29)   | \$ (3.91)  | \$ (0.03)  | \$ 0.08    | \$ (0.33)   |

On a consolidated basis, revenue in Q3/17 was \$208.1 million, a 7.5% increase compared to Q2/17 and a 14.4% increase compared to the same period last year. The Canaccord Genuity division, which had been negatively affected by the general decline in market conditions, experienced an increase of revenue of 8% in Q3/17 compared to the previous quarter and a 2% decline compared to Q1/17. Our Canadian capital markets operations experienced an increase of 13% in revenue in Q3/17 compared to the previous quarter. On a year-to-date basis, revenue increased by 18.3% in the first nine months of fiscal 2017 compared to the same period last year. Our UK capital markets operations is starting to show an improvement in its performance, with revenue increasing by 15% compared to Q2/17. It also generated a small operating profit of \$0.7 million, the first profitable quarter in this operating segment since Q1/16.

Revenue in our US capital markets operations increased by 11% compared to Q2/17, the highest revenue for this operating segment in the past eight quarters. This resulted in an operating profit of \$0.5 million in Q3/17. Our Australian operations have continued to perform well in recent quarters, however revenue decreased by 22% in Q3/17 compared to the record quarter in Q2/17.

Revenue in our Canadian wealth management operations increased by 10% in Q3/17 compared to the previous quarter. This segment has continued to reduce its operating losses from its cost containment efforts over the recent quarters. Assets under management increased by 100% compared to Q3/16, to \$2.5 billion as a result of new assets from the hiring of new investment advisors as well as higher market values.

The Canaccord Genuity Wealth Management UK & Europe operations continued to experience steady revenue growth, and the fee-related revenue in this division has been steadily increasing. At the end of Q3/17, fee-related revenue was at 68.1% of total revenue. Assets under management for this group have also generally increased over the past eight completed financial quarters, reaching \$23.4 billion as of the end of Q3/17 despite the weakening of the pound sterling.

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



## Intersegment Allocated Costs

---

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

## Financial Condition

---

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

### ASSETS

Cash and cash equivalents were \$470.2 million on December 31, 2016 compared to \$428.3 million on March 31, 2016. Refer to the Liquidity and Capital Resources section on page 26 for more details.

Securities owned were \$421.2 million on December 31, 2016 compared to \$564.7 million on March 31, 2016 due to a decrease in corporate and government debt owned as of December 31, 2016.

Accounts receivable were \$1.5 billion at December 31, 2016 compared to \$2.0 billion at March 31, 2016, mainly due to a decrease in receivables with brokers and investment dealers and clients.

Goodwill was \$191.3 million and intangible assets were \$106.7 million at December 31, 2016. At March 31, 2016, goodwill was \$203.7 million and intangible assets were \$120.2 million, representing the goodwill and intangible assets acquired through the purchases of Genuity Capital Markets, Collins Stewart Hawkpoint plc, and the wealth management business of Eden Financial Ltd.

Other assets, consisting of income taxes receivable, deferred tax assets, equipment and leasehold improvements, and investments, were \$52.2 million at December 31, 2016 compared to \$66.4 million at March 31, 2016, mainly due to a decrease in income taxes receivable.

### LIABILITIES

Bank overdrafts and call loan facilities utilized by the Company may vary significantly on a day-to-day basis and depend on securities trading activity. At December 31, 2016, the Company had available credit facilities with banks in Canada and the UK in the aggregate amount of \$677.0 million [March 31, 2016 — \$697.3 million]. These credit facilities, consisting of call loans, subordinated debt, letters of credit and daylight overdraft facilities, are collateralized by either unpaid client securities and/or securities owned by the Company. On December 31, 2016, there was \$11.6 million in bank indebtedness, compared to \$14.9 million on March 31, 2016.

Securities sold short were \$299.5 million at December 31, 2016 compared to \$427.4 million at March 31, 2016, mostly due to a decrease in short positions in corporate and government debt.

Accounts payable and accrued liabilities, including provisions, were \$1.6 billion at December 31, 2016, a decrease from \$2.2 billion at March 31, 2016, mainly due to a decrease in payables to brokers and investment dealers, and clients.

Other liabilities, including subordinated debt, income taxes payable and deferred tax liabilities, were \$14.7 million at December 31, 2016, a decrease from \$19.7 million at March 31, 2016. The decline is mostly due to repayment of \$7.5 million of subordinated debt during this year.

Non-controlling interests were \$9.7 million at December 31, 2016 compared to \$8.7 million at March 31, 2016, which represents 42% of the net assets of our operations in Australia.

The Company issued convertible unsecured senior subordinated debentures ("Debentures") in the aggregate principal amount of \$60.0 million. The balance recorded as liability, net of unamortized discount and issuance costs was \$56.3 million [March 31, 2016 — \$nil], and the equity component was \$2.6 million net of deferred taxes [March 31, 2016 — \$nil].

## Off-Balance Sheet Arrangements

---

As of December 31, 2016, a subsidiary of the Company had an irrevocable secured standby letter of credit from a financial institution totalling \$2.7 million (US\$2.0 million) [March 31, 2016 — \$2.6 million (US\$2.0 million)] as a rent guarantee for its leased premises in Boston and New York.

## Liquidity and Capital Resources

The Company has a capital structure comprised of preferred shares, common shares, contributed surplus, retained earnings and accumulated other comprehensive income. On December 31, 2016, cash and cash equivalents were \$470.2 million, an increase of \$41.9 million from \$428.3 million as of March 31, 2016. During the nine months ended December 31, 2016, financing activities generated cash in the amount of \$21.4 million, mainly due to proceeds from the convertible debentures and the Private Placement, offset by cash used in the acquisition of common shares for the long-term incentive plan and payment of preferred share dividends. Investing activities used cash in the amount of \$2.4 million mainly for the purchase of equipment and leasehold improvements. Operating activities generated cash in the amount of \$32.5 million, which was largely due to changes in non-cash working capital. A decrease in cash of \$9.5 million was attributable to the effect of foreign exchange translation on cash balances.

Compared to the nine months ended December 31, 2015, cash used in financing activities decreased by \$94.7 million, primarily due to proceeds from the Private Placement and the issuance of the convertible debentures in Q3/17. Cash used in investing activities decreased by \$6.0 million during the nine months ended December 31, 2016 compared to the same period last year, mainly due to lower additions of intangible assets during the nine months ended December 31, 2016. Changes in working capital led to a decrease in cash generated by operating activities of \$133.4 million. In addition, the depreciation of the pound sterling and the US dollar against the Canadian dollar resulted in a decrease of cash by \$16.7 million. Overall, cash and cash equivalents increased by \$56.7 million from \$413.6 million at December 31, 2015 to \$470.2 million at December 31, 2016.

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

As discussed above, subsidiaries of the Company also have other credit facilities, such as call loans, letters of credit and overdraft facilities, with banks in Canada and the UK. The aggregate amount of other credit facilities available to the Company was \$677.0 million as of December 31, 2016.

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

The following table summarizes the Company's long term contractual obligations on December 31, 2016:

| (C\$ thousands)                         | Contractual obligations payments due by period |             |                              |                              |            |
|---|--|-------------|------------------------------|------------------------------|------------|
|   | Total  | Fiscal 2018 | Fiscal 2019 –<br>Fiscal 2020 | Fiscal 2021 –<br>Fiscal 2022 | Thereafter |
| Premises and equipment operating leases | \$ 149,801                                     | \$ 29,701   | \$ 43,928                    | \$ 30,456                    | \$ 45,716  |

## Outstanding Share Data

|  | Outstanding shares as of December 31 |             |
|--|--------------------------------------|-------------|
|  | 2016                                 | 2015        |
| <b>Preferred shares</b>                                |                                      |             |
| Series A – issued shares outstanding                   | 4,540,000                            | 4,540,000   |
| Series C – issued shares outstanding                   | 4,000,000                            | 4,000,000   |
| <b>Common shares</b>                                   |                                      |             |
| Issued shares excluding unvested shares <sup>(1)</sup> | 91,780,305                           | 89,201,211  |
| Issued shares outstanding <sup>(2)</sup>               | 112,776,918                          | 103,107,990 |
| Issued shares outstanding – diluted <sup>(3)</sup>     | 124,346,263                          | 109,541,050 |
| Average shares outstanding – basic                     | 90,165,206                           | 91,202,181  |
| Average shares outstanding – diluted                   | 96,550,897                           | n/a         |

(1) Excludes 1,749,533 outstanding unvested shares related to share purchase loans for recruitment and retention programs and 19,247,080 unvested shares purchased by employee benefit trusts for the LTIP.

(2) Includes 1,749,533 outstanding unvested shares related to share purchase loans for recruitment and retention programs and 19,247,080 unvested shares purchased by employee benefit trusts for the LTIP.

(3) Includes 11,569,345 share issuance commitments net of forfeitures.

Under the NCIB, which commenced on August 13, 2015, and ended on August 12, 2016, a total of 482,367 common shares were purchased at a weighted average price per share of \$5.3523. All these shares have been cancelled. On August 11, 2016, the Company filed a notice to renew the normal course issuer bid (NCIB) to provide the Company with the choice to purchase up to a maximum of 5,587,378 of its common shares during the period from August 15, 2016 to August 14, 2017 through the facilities of the TSX and on alternative trading systems in accordance with the requirements of the TSX. Shareholders may obtain a copy of the notice, without charge, by contacting the Company. The purpose of the purchase of common shares under the NCIB is to enable the Company to acquire shares for cancellation. The maximum number of shares that may be purchased under the current NCIB represents 5.0% of the Company's outstanding common shares at the time of the notice. During the nine months ended December 31, 2016, a total of 99,800 shares were purchased under the terms of the NCIB at a weighted average price per share of \$3.5913; all these shares have been cancelled.

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

The ability to make purchases under the current NCIB commenced on August 15, 2016, and will continue for one year (to August 14, 2017) at the discretion of the Company. The maximum consideration will be the market price of the securities at the time of acquisition. In order to comply with the trading rules of the TSX, the daily purchases are limited to 90,132 common shares of the Company (which is 25% of the average daily trading volume of common shares of the Company on the TSX in the six calendar months from February 2016 to July 2016.)

As of January 31, 2017, the Company has 112,776,918 common shares issued and outstanding.

## Share-Based Payment Plans

---

There have been no updates to the share-based payment plans discussed in the 2016 Annual Report except that during the quarter, the Company issued 507,051 common shares in consideration for \$2.4 million in connection with a stock-based award made during the quarter in accordance with the rules of the Toronto Stock Exchange for securities based compensation arrangements.

## International Financial Centre

---

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

## Financial Instruments

---

### FOREIGN EXCHANGE

The Company manages its foreign exchange risk by periodically hedging pending settlements in foreign currencies. Realized and unrealized gains and losses related to these transactions are recognized in income during the period. On December 31, 2016, forward contracts outstanding to sell US dollars had a notional amount of US\$1.0 million, unchanged from December 31, 2015. Forward contracts outstanding to buy US dollars had a notional amount of US\$0.9 million, a decrease of US\$4.4 million from December 31, 2015. The fair value of these contracts was nominal. Some of the Company's operations in the US, the UK & Europe, Australia, Hong Kong and China are conducted in the local currency; however, any foreign exchange risk in respect of these transactions is generally limited as pending settlements on both sides of the transaction are typically in the local currency.

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

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

### FUTURES

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

At December 31, 2016, the notional amount of the Canadian bond futures contracts outstanding was long \$5.2 million [March 31, 2016 — long \$10.9 million], and the notional amount of US Treasury futures contracts outstanding held in a short position was \$5.0 million (US\$3.7 million) [March 31, 2016 — \$12.3 million (US\$9.5 million)].

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

## Related Party Transactions

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

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

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

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

| (C\$ thousands)                          | December 31,<br>2016 | March 31,<br>2016 |
|--|----------------------|-------------------|
| Accounts Receivable                      | \$ 230               | \$ 61             |
| Accounts payable and accrued liabilities | \$ 890               | \$ 4,035          |

## Critical Accounting Policies and Estimates

The unaudited interim condensed consolidated financial statements for the quarter ended December 31, 2016 have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" (IAS 34), as issued by the International Accounting Standards Board (IASB).

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

In particular, the assessment for impairment of goodwill and identifiable indefinite life intangible assets requires management's best estimates in order to determine fair values using discounted cash flow projections that employ the following key assumptions: future cash flows, growth projections and discount rates. Due to continuing economic uncertainties, interim impairment tests were performed for goodwill and indefinite life intangible assets for all applicable cash-generating units (CGUs) as of December 31, 2016.

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

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

estimates in respect of operating margins. The terminal growth rate used for each of Canaccord Genuity Canada and Canaccord Genuity Wealth Management UK & Europe was 2.5% [March 31, 2016 — 2.5%].

Refer to Note 7 of the unaudited interim condensed consolidated financial statements for the nine months ended December 31, 2016 for further information regarding the key assumptions used in connection with the December 31, 2016 interim impairment tests of goodwill and other assets.

Significant accounting policies used and policies requiring management's judgment and estimates have not changed during the nine months ended December 31, 2016 and are discussed under "Critical Accounting Policies and Estimates" in our 2016 Annual Report.

## Changes in Accounting Policies

---

There were no significant changes in the accounting policies discussed in Note 5 of the 2016 Audited Annual Consolidated Financial Statements, during the nine months ended December 31, 2016.

## Future Changes in Accounting Policies and Estimates

---

There have been no updates to the "Future Changes in Accounting Policies and Estimates" disclosed in our 2016 Annual Report, during the nine months ended December 31, 2016.

## Disclosure Controls and Procedures and Internal Control over Financial Reporting

---

### DISCLOSURE CONTROLS AND PROCEDURES

As of December 31, 2016, an evaluation was carried out, under the supervision of and with the participation of management, including the President & CEO and the Executive Vice President, Chief Financial & Risk Officer, of the effectiveness of our disclosure controls and procedures as defined under *National Instrument 52-109*. Based on that evaluation, the President & CEO and the Executive Vice President & Chief Financial & Risk Officer concluded that our disclosure controls and procedures were effective as at December 31, 2016.

### CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes made in our internal control over financial reporting that occurred during the quarter ended December 31, 2016, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## Dividend Policy

---

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

## Dividend Declaration

---

On February 9, 2017, the Board of Directors considered the Company's dividend policy in the context of the market environment and business activity and agreed a continued suspension of the quarterly dividend on common shares. The suspension will be reviewed quarterly and a determination made on the basis of business conditions and profitability.

On February 9, 2017, the Board of Directors approved the following cash dividends: \$0.24281 per Series A Preferred Share payable on March 31, 2017 with a record date of March 17, 2017; and \$0.359375 per Series C Preferred Share payable on March 31, 2017 with a record date of March 17, 2017.

## Risks

---

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

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

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

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

## Additional Information

---

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

## Unaudited Interim Condensed Consolidated Statements of Financial Position

| As at (in thousands of Canadian dollars)    | Notes | December 31,<br>2016 | March 31,<br>2016   |
|---|-------|----------------------|---------------------|
| <b>ASSETS</b>                               |       |                      |                     |
| <b>Current</b>                              |       |                      |                     |
| Cash and cash equivalents                   |       | \$ 470,243           | \$ 428,329          |
| Securities owned                            | 4     | 421,181              | 564,746             |
| Accounts receivable                         | 6     | 1,534,449            | 2,041,150           |
| Income taxes receivable                     |       | 4,586                | 12,537              |
| <b>Total current assets</b>                 |       | <b>2,430,459</b>     | <b>3,046,762</b>    |
| Deferred tax assets                         |       | 11,442               | 11,221              |
| Investments                                 |       | 5,197                | 5,578               |
| Equipment and leasehold improvements        |       | 30,991               | 37,049              |
| Intangible assets                           | 7     | 106,671              | 120,204             |
| Goodwill                                    | 7     | 191,338              | 203,732             |
|   |       | <b>\$ 2,776,098</b>  | <b>\$ 3,424,546</b> |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b> |       |                      |                     |
| <b>Current</b>                              |       |                      |                     |
| Bank indebtedness                           |       | \$ 11,577            | \$ 14,910           |
| Securities sold short                       | 4     | 299,508              | 427,435             |
| Accounts payable and accrued liabilities    | 6, 16 | 1,641,537            | 2,185,047           |
| Provisions                                  | 18    | 7,190                | 18,811              |
| Income taxes payable                        |       | 7,269                | 4,242               |
| Subordinated debt                           | 10    | 7,500                | 15,000              |
| <b>Total current liabilities</b>            |       | <b>1,974,581</b>     | <b>2,665,445</b>    |
| Convertible debentures                      | 11    | 56,263               | —                   |
| Deferred tax liabilities                    |       | —                    | 450                 |
|   |       | <b>2,030,844</b>     | <b>2,665,895</b>    |
| <b>Shareholders' equity</b>                 |       |                      |                     |
| Preferred shares                            | 12    | 205,641              | 205,641             |
| Common shares                               | 13    | 634,791              | 617,756             |
| Warrants                                    | 13    | 1,975                | —                   |
| Equity portion of convertible debentures    | 11    | 2,604                | —                   |
| Contributed surplus                         |       | 80,734               | 86,235              |
| Retained earnings (deficit)                 |       | (293,908)            | (294,586)           |
| Accumulated other comprehensive income      |       | 103,766              | 134,883             |
| <b>Total shareholders' equity</b>           |       | <b>735,603</b>       | <b>749,929</b>      |
| Non-controlling interests                   |       | 9,651                | 8,722               |
| <b>Total equity</b>                         |       | <b>745,254</b>       | <b>758,651</b>      |
|   |       | <b>\$ 2,776,098</b>  | <b>\$ 3,424,546</b> |

See accompanying notes

On behalf of the Board:

"Daniel Daviau"

**DANIEL DAVIAU**  
Director

"Terrence A. Lyons"

**TERRENCE A. LYONS**  
Director

## Unaudited Interim Condensed Consolidated Statements of Operations

| (in thousands of Canadian dollars, except per share amounts)            | Notes | For the three months ended |                      | For the nine months ended |                      |
|---|-------|----------------------------|----------------------|---------------------------|----------------------|
|   |       | December 31,<br>2016       | December 31,<br>2015 | December 31,<br>2016      | December 31,<br>2015 |
| <b>REVENUE</b>  |       |                            |                      |                           |                      |
| Commissions and fees  |       | \$ 102,637                 | \$ 95,014            | \$ 290,851                | \$ 278,902           |
| Investment banking  |       | 46,508                     | 19,261               | 124,534                   | 115,472              |
| Advisory fees   |       | 17,127                     | 38,954               | 78,275                    | 105,223              |
| Principal trading   |       | 33,569                     | 20,202               | 87,974                    | 60,360               |
| Interest  |       | 4,017                      | 3,981                | 11,630                    | 13,389               |
| Other   |       | 4,250                      | 4,425                | 14,626                    | 13,547               |
|   |       | <b>208,108</b>             | <b>181,837</b>       | <b>607,890</b>            | <b>586,893</b>       |
| <b>EXPENSES</b>   |       |                            |                      |                           |                      |
| Incentive compensation  |       | 106,941                    | 105,774              | 318,596                   | 304,955              |
| Salaries and benefits   |       | 21,064                     | 23,509               | 63,606                    | 68,583               |
| Trading costs   |       | 16,660                     | 15,142               | 46,648                    | 43,059               |
| Premises and equipment  |       | 12,723                     | 9,912                | 31,985                    | 29,849               |
| Communication and technology  |       | 12,359                     | 14,234               | 39,102                    | 42,104               |
| Interest  |       | 2,834                      | 2,431                | 8,860                     | 8,014                |
| General and administrative  |       | 21,478                     | 23,766               | 59,761                    | 68,728               |
| Amortization  |       | 5,454                      | 6,635                | 16,019                    | 19,221               |
| Development costs   |       | 2,884                      | 5,739                | 6,834                     | 13,739               |
| Impairment of goodwill and other assets                                 |       | —                          | 321,037              | —                         | 321,037              |
| Restructuring costs   |       | —                          | 4,277                | —                         | 4,277                |
|   |       | <b>\$ 202,397</b>          | <b>\$ 532,456</b>    | <b>\$ 591,411</b>         | <b>\$ 923,566</b>    |
| Income (loss) before income taxes                                       |       | 5,711                      | (350,619)            | 16,479                    | (336,673)            |
| Income taxes (recovery)   |       |                            |                      |                           |                      |
| Current   |       | 3,736                      | (2,440)              | 6,853                     | (3,566)              |
| Deferred  |       | (2,569)                    | (1,791)              | (2,573)                   | 2,751                |
|   | 9     | <b>1,167</b>               | <b>(4,231)</b>       | <b>4,280</b>              | <b>(815)</b>         |
| <b>Net income (loss) for the period</b>                                 |       | <b>\$ 4,544</b>            | <b>\$ (346,388)</b>  | <b>\$ 12,199</b>          | <b>\$ (335,858)</b>  |
| <b>Net income (loss) attributable to:</b>                               |       |                            |                      |                           |                      |
| CGGI shareholders   |       | \$ 3,755                   | \$ (346,277)         | \$ 9,217                  | \$ (335,968)         |
| Non-controlling interests   |       | \$ 789                     | \$ (111)             | \$ 2,982                  | \$ 110               |
| <b>Weighted average number of common shares outstanding (thousands)</b> |       |                            |                      |                           |                      |
| Basic   |       | 91,229                     | 89,336               | 90,165                    | 91,202               |
| Diluted   |       | 98,647                     | n/a                  | 96,551                    | n/a                  |
| <b>Net income (loss) per common share</b>                               |       |                            |                      |                           |                      |
| Basic   | 13iii | \$ 0.01                    | \$ (3.91)            | \$ 0.01                   | \$ (3.78)            |
| Diluted   | 13iii | \$ 0.01                    | \$ (3.91)            | \$ 0.01                   | \$ (3.78)            |
| <b>Dividend per common share</b>  | 14    | —                          | —                    | —                         | \$ 0.10              |
| <b>Dividend per Series A Preferred Share</b>                            | 14    | \$ 0.25                    | \$ 0.34              | \$ 0.94                   | \$ 1.03              |
| <b>Dividend per Series C Preferred Share</b>                            | 14    | \$ 0.36                    | \$ 0.36              | \$ 1.08                   | \$ 1.08              |

See accompanying notes



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

| (in thousands of Canadian dollars)   | For the three months ended |                      | For the nine months ended |                      |
|--|----------------------------|----------------------|---------------------------|----------------------|
|  | December 31,<br>2016       | December 31,<br>2015 | December 31,<br>2016      | December 31,<br>2015 |
| <b>Net income (loss) for the period</b>  | \$ 4,544                   | \$ (346,388)         | \$ 12,199                 | \$ (335,858)         |
| <b>Other comprehensive (loss) income</b>   |                            |                      |                           |                      |
| Realized translation gains related to foreign operations disposed of during the period | —                          | —                    | (1,560)                   | —                    |
| Reversal of unrealized gains on disposal of available for sale investment              | —                          | (747)                | —                         | (747)                |
| Net change in unrealized (losses) gains on translation of foreign operations           | (3,960)                    | 12,837               | (28,622)                  | 54,866               |
| <b>Comprehensive (loss) income for the period</b>                                      | \$ 584                     | \$ (334,298)         | \$ (17,983)               | \$ (281,739)         |
| <b>Comprehensive (loss) income attributable to:</b>                                    |                            |                      |                           |                      |
| CGI shareholders   | \$ (737)                   | \$ (333,148)         | \$ (21,900)               | \$ (282,220)         |
| Non-controlling interests  | \$ 1,321                   | \$ (1,150)           | \$ 3,917                  | \$ 481               |

See accompanying notes

## Unaudited Interim Condensed Consolidated Statements of Changes in Equity

| For the nine months ended (in thousands of Canadian dollars)        | Notes     | December 31,<br>2016 | December 31,<br>2015 |
|---|-----------|----------------------|----------------------|
| <b>Preferred shares, opening and closing</b>                        | <b>12</b> | <b>\$ 205,641</b>    | <b>\$ 205,641</b>    |
| Common shares, opening  |           | 617,756              | 620,858              |
| Shares issued in connection with share-based payments               |           | 13,108               | 8,487                |
| Acquisition of common shares for long-term incentive plan (LTIP)    |           | (47,170)             | (45,553)             |
| Shares issued in connection with private placement                  |           | 26,601               | —                    |
| Release of vested common shares from employee benefit trust         |           | 20,041               | 23,996               |
| Shares cancelled  |           | (683)                | (4,779)              |
| Net unvested share purchase loans                                   |           | 5,138                | 13,518               |
| <b>Common shares, closing</b>                                       | <b>13</b> | <b>634,791</b>       | <b>616,527</b>       |
| <b>Warrants, opening</b>  |           | <b>—</b>             | <b>—</b>             |
| Warrants issued in connection with private placement                |           | 1,975                | —                    |
| <b>Warrants, closing</b>  | <b>13</b> | <b>1,975</b>         | <b>—</b>             |
| Convertible debentures – equity, opening                            |           | —                    | —                    |
| Equity portion of convertible debentures, net of tax                |           | 2,604                | —                    |
| <b>Convertible debentures – equity, closing</b>                     | <b>11</b> | <b>2,604</b>         | <b>—</b>             |
| Contributed surplus, opening  |           | 86,235               | 85,597               |
| Share-based payments  |           | (1,807)              | (6,731)              |
| Shares cancelled  |           | 323                  | 1,340                |
| Unvested share purchase loans                                       |           | (4,017)              | (10,888)             |
| <b>Contributed surplus, closing</b>                                 |           | <b>80,734</b>        | <b>69,318</b>        |
| Retained earnings, opening  |           | (294,586)            | 92,815               |
| Net income (loss) attributable to CGGI shareholders                 |           | 9,217                | (335,968)            |
| Preferred shares dividends  | 14        | (8,539)              | (8,994)              |
| Common shares dividends   | 14        | —                    | (16,507)             |
| <b>Retained earnings (deficit), closing</b>                         |           | <b>(293,908)</b>     | <b>(268,654)</b>     |
| Accumulated other comprehensive income, opening                     |           | 134,883              | 112,631              |
| Other comprehensive (loss) income attributable to CGGI shareholders |           | (31,117)             | 53,748               |
| <b>Accumulated other comprehensive income, closing</b>              |           | <b>103,766</b>       | <b>166,379</b>       |
| <b>Total shareholders' equity</b>                                   |           | <b>735,603</b>       | <b>789,211</b>       |
| Non-controlling interests, opening                                  |           | 8,722                | 10,275               |
| Foreign exchange on non-controlling interests                       |           | (468)                | 725                  |
| Comprehensive income attributable to non-controlling interests      |           | 3,917                | 481                  |
| Dividends paid to non-controlling interests                         |           | (2,520)              | —                    |
| <b>Non-controlling interests, closing</b>                           |           | <b>9,651</b>         | <b>11,481</b>        |
| <b>Total equity</b>   |           | <b>\$ 745,254</b>    | <b>\$ 800,692</b>    |

See accompanying notes

## Unaudited Interim Condensed Consolidated Statements of Cash Flows

| For the nine months ended (in thousands of Canadian dollars)     | Notes | December 31,<br>2016 | December 31,<br>2015 |
|--|-------|----------------------|----------------------|
| <b>OPERATING ACTIVITIES</b>                                      |       |                      |                      |
| Net income (loss) for the period                                 |       | \$ 12,199            | \$ (335,858)         |
| Items not affecting cash   |       |                      |                      |
| Amortization   |       | 16,019               | 19,221               |
| Deferred income tax expense                                      |       | (2,573)              | 2,751                |
| Share-based compensation expense                                 | 15    | 31,112               | 31,147               |
| Impairment of goodwill and other assets                          |       | —                    | 321,037              |
| Impairment of investment in Canadian First Financial Group Inc.  |       | —                    | 4,000                |
| Write-off of intangible assets                                   |       | —                    | 2,350                |
| Changes in non-cash working capital                              |       |                      |                      |
| Decrease in securities owned                                     |       | 143,412              | 308,263              |
| Decrease in accounts receivable                                  |       | 502,421              | 1,193,699            |
| Decrease (increase) in income taxes receivable                   |       | 12,145               | (9,423)              |
| Decrease in securities sold short                                |       | (127,927)            | (263,901)            |
| Decrease in accounts payable, accrued liabilities and provisions |       | (554,351)            | (1,107,420)          |
| <b>Cash provided by operating activities</b>                     |       | <b>32,457</b>        | <b>165,866</b>       |
| <b>FINANCING ACTIVITIES</b>                                      |       |                      |                      |
| Bank indebtedness  |       | (3,332)              | 1,227                |
| Acquisition of common shares for long-term incentive plan        |       | (47,170)             | (45,553)             |
| Proceeds from Private Placement                                  |       | 28,321               | —                    |
| Repayment of subordinated debt                                   |       | (7,500)              | —                    |
| Purchase of shares for cancellation                              |       | (360)                | (3,439)              |
| Proceeds from Convertible Debentures                             |       | 60,000               | —                    |
| Cash dividends paid on common shares                             |       | —                    | (16,507)             |
| Cash dividends paid on preferred shares                          |       | (8,539)              | (8,994)              |
| <b>Cash provided by (used in) financing activities</b>           |       | <b>21,420</b>        | <b>(73,266)</b>      |
| <b>INVESTING ACTIVITIES</b>                                      |       |                      |                      |
| Purchase of equipment and leasehold improvements                 |       | (2,440)              | (4,359)              |
| Purchase of intangible assets                                    |       | —                    | (4,105)              |
| <b>Cash used in investing activities</b>                         |       | <b>(2,440)</b>       | <b>(8,464)</b>       |
| <b>Effect of foreign exchange on cash balances</b>               |       | <b>(9,523)</b>       | <b>7,129</b>         |
| <b>Increase in cash position</b>                                 |       | <b>41,914</b>        | <b>91,265</b>        |
| Cash position, beginning of period                               |       | 428,329              | 322,324              |
| <b>Cash position, end of period</b>                              |       | <b>470,243</b>       | <b>413,589</b>       |
| <b>Supplemental cash flow information</b>                        |       |                      |                      |
| Interest received  |       | \$ 11,635            | \$ 11,606            |
| Interest paid  |       | \$ 7,450             | \$ 6,794             |
| Income taxes paid  |       | \$ 5,146             | \$ 10,154            |

See accompanying notes

# Notes to Unaudited Interim Condensed Consolidated Financial Statements

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

## NOTE 01 Corporate Information

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

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

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

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

## NOTE 02 Basis of Preparation

### STATEMENT OF COMPLIANCE

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

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

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

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

These unaudited interim condensed consolidated financial statements were authorized for issuance by the Company's Board of Directors on February 9, 2017.

### USE OF JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

### FUTURE ACCOUNTING DEVELOPMENTS

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

**NOTE 03 Summary of Significant Accounting Policies**

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

**NOTE 04 Securities Owned and Securities Sold Short**

|                                     | December 31, 2016 |                       | March 31, 2016   |                       |
|-------------------------------------|-------------------|-----------------------|------------------|-----------------------|
|                                     | Securities owned  | Securities sold short | Securities owned | Securities sold short |
| Corporate and government debt       | \$ 251,043        | \$ 216,897            | \$ 402,779       | \$ 341,264            |
| Equities and convertible debentures | 170,138           | 82,611                | 161,967          | 86,171                |
|                                     | \$ 421,181        | \$ 299,508            | \$ 564,746       | \$ 427,435            |

As at December 31, 2016, corporate and government debt maturities range from 2017 to 2098 [March 31, 2016 – 2016 to 2097] and bear interest ranging from 0.0% to 9.0% [March 31, 2016 – 0.0% to 15.0%].

**NOTE 05 Financial Instruments**

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

|   | Held for trading  |                | Available for sale |                | Loans and receivables |                | Loans and borrowings |                | Total             |                |
|---|-------------------|----------------|--------------------|----------------|-----------------------|----------------|----------------------|----------------|-------------------|----------------|
|   | December 31, 2016 | March 31, 2016 | December 31, 2016  | March 31, 2016 | December 31, 2016     | March 31, 2016 | December 31, 2016    | March 31, 2016 | December 31, 2016 | March 31, 2016 |
| <b>Financial assets</b>                                 |                   |                |                    |                |                       |                |                      |                |                   |                |
| Securities owned  | \$ 421,181        | \$564,746      | \$ —               | \$ —           | \$ —                  | \$ —           | \$ —                 | \$ —           | \$ 421,181        | \$ 564,746     |
| Accounts receivable from brokers and investment dealers | —                 | —              | —                  | —              | 905,033               | 1,303,222      | —                    | —              | 905,033           | 1,303,222      |
| Accounts receivable from clients                        | —                 | —              | —                  | —              | 251,016               | 365,272        | —                    | —              | 251,016           | 365,272        |
| RRSP cash balances held in trust                        | —                 | —              | —                  | —              | 288,404               | 298,839        | —                    | —              | 288,404           | 298,839        |
| Other accounts receivable                               | —                 | —              | —                  | —              | 89,996                | 73,817         | —                    | —              | 89,996            | 73,817         |
| Investments   | —                 | —              | 5,197              | 5,578          | —                     | —              | —                    | —              | 5,197             | 5,578          |
| <b>Total financial assets</b>                           | \$ 421,181        | \$564,746      | \$ 5,197           | \$ 5,578       | \$ 1,534,449          | \$2,041,150    | \$ —                 | \$ —           | \$ 1,960,827      | \$2,611,474    |
| <b>Financial liabilities</b>                            |                   |                |                    |                |                       |                |                      |                |                   |                |
| Securities sold short                                   | \$ 299,508        | \$427,435      | \$ —               | \$ —           | \$ —                  | \$ —           | \$ —                 | \$ —           | \$ 299,508        | \$ 427,435     |
| Accounts payable to brokers and investment dealers      | —                 | —              | —                  | —              | —                     | —              | 576,328              | 986,993        | 576,328           | 986,993        |
| Accounts payable to clients                             | —                 | —              | —                  | —              | —                     | —              | 871,652              | 992,661        | 871,652           | 992,661        |
| Other accounts payable and accrued liabilities          | —                 | —              | —                  | —              | —                     | —              | 193,557              | 205,393        | 193,557           | 205,393        |
| Subordinated debt                                       | —                 | —              | —                  | —              | —                     | —              | 7,500                | 15,000         | 7,500             | 15,000         |
| <b>Total financial liabilities</b>                      | \$ 299,508        | \$427,435      | \$ —               | \$ —           | \$ —                  | \$ —           | \$ 1,649,037         | \$2,200,047    | \$ 1,948,545      | \$2,627,482    |

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

**FAIR VALUE HIERARCHY**

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

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

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

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

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

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

|  | December 31, 2016 | Estimated fair value |                   |              |         |
|--|-------------------|----------------------|-------------------|--------------|---------|
|  |                   | Level 1              | December 31, 2016 |              | Level 3 |
|  |                   |                      | Level 2           |              |         |
| <b>Securities owned</b>                    |                   |                      |                   |              |         |
| Corporate debt                             | \$ 11,692         | \$ —                 | \$ 11,692         | \$ —         |         |
| Government debt                            | 239,351           | 90,290               | 149,061           | —            |         |
| <b>Corporate and government debt</b>       | <b>251,043</b>    | <b>90,290</b>        | <b>160,753</b>    | <b>—</b>     |         |
| Equities                                   | 166,322           | 116,838              | 49,326            | 158          |         |
| Convertible debentures                     | 3,816             | —                    | 3,816             | —            |         |
| <b>Equities and convertible debentures</b> | <b>170,138</b>    | <b>116,838</b>       | <b>53,142</b>     | <b>158</b>   |         |
| <b>Available for sale investments</b>      | <b>5,197</b>      | <b>—</b>             | <b>2,804</b>      | <b>2,393</b> |         |
|  | <b>426,378</b>    | <b>207,128</b>       | <b>216,699</b>    | <b>2,551</b> |         |
| <b>Securities sold short</b>               |                   |                      |                   |              |         |
| Corporate debt                             | (11,250)          | —                    | (11,250)          | —            |         |
| Government debt                            | (205,647)         | (107,657)            | (97,990)          | —            |         |
| <b>Corporate and government debt</b>       | <b>(216,897)</b>  | <b>(107,657)</b>     | <b>(109,240)</b>  | <b>—</b>     |         |
| Equities                                   | (82,611)          | (57,955)             | (24,656)          | —            |         |
|  | <b>(299,508)</b>  | <b>(165,612)</b>     | <b>(133,896)</b>  | <b>—</b>     |         |

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

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

#### Movement in net Level 3 financial assets

|                          |                 |
|--------------------------|-----------------|
| March 31, 2016           | \$ 2,593        |
| Other                    | (42)            |
| <b>December 31, 2016</b> | <b>\$ 2,551</b> |

#### FAIR VALUE ESTIMATION

##### i. Level 2 financial instruments

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

Level 2 financial instruments also include the Company's investment in Euroclear, which has an estimated fair value of \$2.8 million as at December 31, 2016 [March 31, 2016 – \$3.1 million]. The current fair value is determined using a market-based approach based on recent share buyback transactions.

## ii. Level 3 financial instruments

### a. Available for sale investments

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

### b. Held for trading

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

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

### Foreign exchange forward contracts

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

Forward contracts outstanding at December 31, 2016:

|                    | Notional amount<br>(millions) |     | Average price   | Maturity        | Fair value |
|--------------------|-------------------------------|-----|-----------------|-----------------|------------|
| To sell US dollars | USD\$                         | 1.0 | \$1.34(CAD/USD) | January 3, 2017 | \$ (0.1)   |
| To buy US dollars  | USD\$                         | 0.9 | \$1.34(CAD/USD) | January 3, 2017 | \$ 0.1     |

Forward contracts outstanding at March 31, 2016:

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

The Company's Canaccord Genuity Wealth Management segment in the UK & Europe trades foreign exchange forward contracts on behalf of its clients, and establishes matching contracts with the counterparties. The Company has no significant net exposure, assuming no counterparty default. The principal currencies of the forward contracts are: the UK pound sterling, the US dollar, or the Euro. The weighted average term to maturity is 81 days as at December 31, 2016 [March 31, 2016 – 69 days]. The table below shows the fair value of the forward contract assets and liabilities, and the notional value of these forward contracts as at December 31, 2016 and March 31, 2016, respectively. The fair value of the forward contract assets and liabilities is included in the accounts receivable and payable balances.

|                                    | December 31, 2016 |             |                 | March 31, 2016 |             |                 |
|------------------------------------|-------------------|-------------|-----------------|----------------|-------------|-----------------|
|                                    | Assets            | Liabilities | Notional amount | Assets         | Liabilities | Notional amount |
| Foreign exchange forward contracts | \$ 2,713          | \$ (2,543)  | \$ 166,453      | \$ 5,682       | \$ 5,441    | \$ 294,162      |

### Futures

The Company's Canadian operations are involved in trading bond futures contracts, which are agreements to buy or sell a standardized amount of an underlying Government of Canada bond, at a predetermined future date and price, in accordance with terms specified by a regulated futures exchange, and are subject to daily cash margining.

The Company's Canadian operations trade in bond futures in an attempt to mitigate interest rate risk, yield curve risk and liquidity risk. At December 31, 2016, the notional amount of the bond futures contracts outstanding was long \$5.2 million [March 31, 2016 – long \$10.9 million].

The Company's Canadian operations are also involved in trading US Treasury futures in an attempt to mitigate interest rate risk, yield curve risk and liquidity risk. At December 31, 2016, the notional amount of US Treasury futures contracts outstanding held in a short position was \$5.0 million (US\$3.7 million) [March 31, 2016 – \$12.3 million (US\$9.5 million)].

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

## SECURITIES LENDING AND BORROWING

|                          | Cash                              |                                    | Securities                        |                                    |
|--------------------------|-----------------------------------|------------------------------------|-----------------------------------|------------------------------------|
|                          | Loaned or delivered as collateral | Borrowed or received as collateral | Loaned or delivered as collateral | Borrowed or received as collateral |
| <b>December 31, 2016</b> | <b>\$ 144,598</b>                 | <b>\$ 36,138</b>                   | <b>\$ 35,059</b>                  | <b>\$ 181,757</b>                  |
| March 31, 2016           | 118,897                           | 26,586                             | 27,347                            | 159,616                            |

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

### NOTE 06

## Accounts Receivable and Accounts Payable and Accrued Liabilities

### ACCOUNTS RECEIVABLE

|                                  | December 31, 2016   | March 31, 2016      |
|----------------------------------|---------------------|---------------------|
| Brokers and investment dealers   | \$ 905,033          | \$ 1,303,222        |
| Clients                          | 251,016             | 365,272             |
| RRSP cash balances held in trust | 288,404             | 298,839             |
| Other                            | 89,996              | 73,817              |
|                                  | <b>\$ 1,534,449</b> | <b>\$ 2,041,150</b> |

### ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

|                                | December 31, 2016   | March 31, 2016      |
|--------------------------------|---------------------|---------------------|
| Brokers and investment dealers | \$ 576,328          | \$ 986,993          |
| Clients                        | 871,652             | 992,661             |
| Other                          | 193,557             | 205,393             |
|                                | <b>\$ 1,641,537</b> | <b>\$ 2,185,047</b> |

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

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

Amounts due from and to clients are due by the settlement date of the trade transaction. Margin loans are due on demand and are collateralized by the assets in the client's account. Interest on margin loans and on amounts due to clients is based on a floating rate [December 31, 2016 – 5.25% to 6.25% and 0.00% to 0.05%, respectively; March 31, 2016 – 5.70% to 6.50% and 0.00% to 0.05%, respectively].

As at December 31, 2016, the allowance for doubtful accounts was \$7.1 million [March 31, 2016 – \$10.8 million].



**NOTE 07 Impairment Testing of Goodwill and Other Assets**

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

|  | Intangible assets with indefinite lives |                | Goodwill          |                | Total             |                |
|--|---|----------------|-------------------|----------------|-------------------|----------------|
|  | December 31, 2016                       | March 31, 2016 | December 31, 2016 | March 31, 2016 | December 31, 2016 | March 31, 2016 |
| <b>Canaccord Genuity</b>                   |   |                |                   |                |                   |                |
| Canada                                     | \$ 44,930                               | \$ 44,930      | \$ 92,074         | \$ 92,074      | \$ 137,004        | \$ 137,004     |
| <b>Canaccord Genuity Wealth Management</b> |   |                |                   |                |                   |                |
| UK and Europe (Channel Islands)            | —                                       | —              | 89,421            | 100,585        | 89,421            | 100,585        |
| UK and Europe                              | —                                       | —              | 9,843             | 11,073         | 9,843             | 11,073         |
|  | \$ 44,930                               | \$ 44,930      | \$ 191,338        | \$ 203,732     | \$ 236,268        | \$ 248,662     |

The Genuity brand name is considered to have an indefinite life as the Company has no plans to cease its use in the future. In the event that the Company changes the way in which it uses the indefinite life intangible assets the Company may be required to record an impairment charge.

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

In accordance with IAS 36, "Impairment of Assets" (IAS 36), the recoverable amounts of the CGUs' net assets have been determined using fair value less costs to sell (FVLCS) calculations, which are based on future cash flow assumptions considered to be appropriate for the purposes of such calculations. In accordance with IFRS 13 fair value represents an estimate of the price at which an orderly transaction to sell an asset or transfer a liability would take place between market participants as at the end of the reporting period under market conditions as at that date (an exit price as at the measurement date).

There is a material degree of uncertainty with respect to the estimates of the recoverable amounts of the CGUs' net assets given that these estimates involve making key assumptions about the future. In making such assumptions, management has used its best estimate of future economic and market conditions within the context of the Company's capital markets and wealth management activities. These valuations are categorized as Level 3 in the fair value hierarchy.

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

Sensitivity testing was conducted as part of the impairment test of goodwill and indefinite life intangible assets for the Canaccord Genuity – Canada CGU. The sensitivity testing includes assessing the impact that reasonably possible declines in revenue estimates for the 12-month period ending on December 31, 2017 and declines in growth rates after that period and increases in the discount rates would have on the recoverable amounts of the CGUs, with other assumptions being held constant. An increase of the discount rate of 2.8 percentage points, a decrease in the estimated revenue for the 12-month period ending December 31, 2017 of \$15.0 million or a decrease in the five year compound annual growth of 7.3 percentage points may result in the estimate of the recoverable amount declining below the carrying value with the result that an impairment charge may be required. Any such impairment charge would be determined after incorporating the effect of any changes in key assumptions including any consequential effects of such changes on estimated operating income and on other factors.

**NOTE 08 Business Disposition**

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

For the nine months ended December 31, 2016, the Company recorded net income of \$0.01 million attributable to the Singapore operation prior to its disposal.

The Company recognized a loss of \$0.4 million on the disposal, as well as realized translation gain of \$1.6 million which was previously included in accumulated other comprehensive income. The net gain of \$1.2 million is included in other revenue in the statement of operations for the nine months ended December 31, 2016.

**NOTE 09 Income Taxes**

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

|  | For the three months ended |                   | For the nine months ended |                   |
|--|----------------------------|-------------------|---------------------------|-------------------|
|  | December 31, 2016          | December 31, 2015 | December 31, 2016         | December 31, 2015 |
| Income taxes (recovery) expense at the statutory rate (F2017: 26%; F2016: 26.0%) | \$ 1,491                   | \$ (91,110)       | \$ 4,274                  | \$ (87,484)       |
| Difference in tax rates in foreign jurisdictions                                 | (795)                      | (2,229)           | (1,455)                   | (2,809)           |
| Non-deductible items affecting the determination of taxable income               | 1,008                      | 83,380            | 2,037                     | 84,889            |
| Share based payments   | (51)                       | 24                | 51                        | 1,303             |
| Change in accounting and tax base estimate                                       | (24)                       | 160               | 26                        | (871)             |
| Tax rate differential  | (516)                      | (742)             | (1,764)                   | (1,391)           |
| Tax losses and other temporary differences not recognized                        | 54                         | 6,286             | 1,111                     | 5,548             |
| Income tax (recovery) expense – current and deferred                             | \$ 1,167                   | \$ (4,231)        | \$ 4,280                  | \$ (815)          |

**NOTE 10 Subordinated Debt**

|   | December 31, 2016 | March 31, 2016 |
|---|-------------------|----------------|
| Loan payable, interest payable monthly at prime + 4% per annum, due on demand | \$ 7,500          | \$ 15,000      |

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

During the nine months ended December 31, 2016, the Company repaid \$7.5 million of the subordinated debt.

**NOTE 11 Convertible Debentures**

On October 27, 2016, the Company closed a private placement of convertible unsecured senior subordinated debentures ("Debentures") in the aggregate principal amount of \$60.0 million. The net amount recognized after deducting issue costs net of deferred tax liability was \$58.9 million. The Debentures were placed with funds managed by a large Canadian asset manager.

The Debentures bear interest at a rate of 6.50% per annum, payable semi-annually on the last day of June and December each year commencing December 31, 2016 with a maturity date of December 31, 2021. The Debentures are convertible at the holder's option into common shares of the Company at a conversion price of \$6.50 per share. The Debentures will mature on December 31, 2021 and may be redeemed by the Company, in certain circumstances, on or after December 31, 2019.

The Debentures are classified as compound financial instruments. On initial recognition, the fair value of the liability is calculated based on the present value of future cash flows under the instruments, discounted at 8%, being equal to the rate of interest applied by the market at the time of issue to instruments of comparable credit status and future cash flows, without the conversion feature. The residual amount is recorded as a component of shareholders' equity.

|                        | December 31, 2016 |          | March 31, 2016 |        |
|------------------------|-------------------|----------|----------------|--------|
|                        | Liability         | Equity   | Liability      | Equity |
| Convertible debentures | \$ 56,263         | \$ 2,604 | \$ —           | \$ —   |

## NOTE 12 Preferred Shares

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

Terms of the Series A and C Preferred Shares are disclosed in Note 15 of the March 31, 2016 consolidated financial statements. As announced by the Company on September 1, 2016, in accordance with the terms of the Cumulative 5-Year Rate Reset First Preferred Shares, Series A (the "Series A Preferred Shares"), quarterly cumulative cash dividends, if declared, will be paid at an annual rate of 3.885% for the period commencing on October 1, 2016 and ending on and including September 30, 2021, being equal to the sum of the five year Government of Canada bond yield plus 3.21%.

Holders of Series A Preferred Shares had the 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 have the option on September 30 every five years thereafter. The number of shares tendered for conversion by the conversion deadline of September 15, 2016 was below the minimum required to proceed with the conversion and, accordingly, no Series B Preferred Shares were issued.

## NOTE 13 Common Shares

|  | December 31, 2016 |                  | March 31, 2016 |                  |
|--|-------------------|------------------|----------------|------------------|
|  | Amount            | Number of shares | Amount         | Number of shares |
| Issued and fully paid                    | \$ 768,528        | 112,776,918      | \$ 729,502     | 103,812,814      |
| Unvested share purchase loans            | (9,961)           | (1,749,533)      | (15,099)       | (2,557,568)      |
| Held for long-term incentive plan (LTIP) | (123,776)         | (19,247,080)     | (96,647)       | (12,171,624)     |
|  | 634,791           | 91,780,305       | 617,756        | 89,083,622       |

|  | December 31, 2016 |                    | March 31, 2016 |                    |
|--|-------------------|--------------------|----------------|--------------------|
|  | Amount            | Number of warrants | Amount         | Number of warrants |
| Warrants   |                   |                    |                |                    |
| Warrants issued in connection with Private Placement | \$ 1,975          | 3,365,281          | \$ —           | —                  |

### [i] AUTHORIZED

Unlimited common shares without par value

### [ii] ISSUED AND FULLY PAID

|  | Number of shares   | Amount            |
|--|--------------------|-------------------|
| Balance, March 31, 2016                                    | 103,812,814        | \$ 729,502        |
| Shares issued in connection with share-based payment plans | 2,118,213          | 12,488            |
| Shares issued in connection with replacement plans         | 68,867             | 620               |
| Shares issued in connection with private placement         | 6,876,824          | 26,601            |
| Shares cancelled   | (99,800)           | (683)             |
| <b>Balance, December 31, 2016</b>                          | <b>112,776,918</b> | <b>\$ 768,528</b> |

On August 11, 2016, the Company filed a notice to renew the normal course issuer bid (NCIB) to provide the Company with the choice to purchase up to a maximum of 5,587,378 of its common shares during the period from August 15, 2016 to August 14, 2017 through the facilities of the TSX and on alternative trading systems in accordance with the requirements of the TSX. The purpose of the purchase of common shares under the NCIB is to enable the Company to acquire shares for cancellation. The maximum number of shares that may be purchased under the current NCIB represents 5.0% of the Company's outstanding common shares at the time of the notice. During the nine months ended December 31, 2016, a total of 99,800 shares were purchased under the terms of the NCIB at a weighted average price per share of \$3.5913; all these shares have been cancelled.

During the nine months ended December 31, 2016, the Company completed the closings of a non-brokered private placement ("Private Placement") to employees of the Company. In aggregate, the Company issued 6,876,824 Units at a price of \$4.17 per unit for aggregate proceeds to the Company of \$28.3 million. Each Unit consists of one common share ("Common Share") of the Company and one-half of one Common Share purchase warrant ("Warrant"). Each whole Warrant will entitle the holder to acquire one Common Share at an exercise price of \$4.99 for the period from June 17, 2019 to December 17, 2019. Warrants are not listed and are not transferable.

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

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

During the quarter, the Company issued 507,051 common shares in consideration for \$2.4 million in connection with a stock-based award made during the quarter in accordance with the rules of the Toronto Stock Exchange for securities based compensation arrangements.

### [iii] EARNINGS (LOSS) PER COMMON SHARE

|   | For the three months ended |                      | For the nine months ended |                      |
|---|----------------------------|----------------------|---------------------------|----------------------|
|   | December 31,<br>2016       | December 31,<br>2015 | December 31,<br>2016      | December 31,<br>2015 |
| <b>Basic earnings (loss) per common share</b>                               |                            |                      |                           |                      |
| Net income (loss) attributable to CGGI shareholders                         | \$ 3,755                   | \$ (346,277)         | \$ 9,217                  | \$ (335,968)         |
| Preferred shares dividends  | (2,540)                    | (2,998)              | (8,539)                   | (8,994)              |
| Net income (loss) available to common shareholders                          | 1,215                      | (349,275)            | 678                       | (344,962)            |
| Weighted average number of common shares (number)                           | 91,228,807                 | 89,336,043           | 90,165,216                | 91,202,181           |
| Basic earnings (loss) per share   | \$ 0.01                    | \$ (3.91)            | \$ 0.01                   | \$ (3.78)            |
| <b>Diluted earnings (loss) per common share</b>                             |                            |                      |                           |                      |
| Net income (loss) available to common shareholders                          | 1,215                      | (349,275)            | 678                       | (344,962)            |
| Weighted average number of common shares (number)                           | 91,228,807                 | n/a                  | 90,165,216                | n/a                  |
| Dilutive effect in connection with LTIP (number)                            | 6,122,601                  | n/a                  | 5,082,858                 | n/a                  |
| Dilutive effect in connection with other share-based payment plans (number) | 1,295,410                  | n/a                  | 1,302,823                 | n/a                  |
| Adjusted weighted average number of common shares (number)                  | 98,646,818                 | n/a                  | 96,550,897                | n/a                  |
| Diluted earnings (loss) per common share                                    | \$ 0.01                    | \$ (3.91)            | \$ 0.01                   | \$ (3.78)            |

## NOTE 14

## Dividends

### COMMON SHARES DIVIDENDS

The Board of Directors has continued the suspension of the quarterly dividend on common shares and as such, there were no common shares dividends declared during the nine months ended December 31, 2016.

### PREFERRED SHARES DIVIDENDS

The Company declared the following preferred shares dividends during the nine months ended December 31, 2016:

| Record date        | Payment date       | Cash dividend<br>per Series A<br>Preferred Share | Cash dividend<br>per Series C<br>Preferred Share | Total preferred<br>dividend amount |
|--------------------|--------------------|--|--|------------------------------------|
| December 23, 2016  | January 3, 2017    | \$ 0.24281                                       | \$ 0.359375                                      | \$ 2,540                           |
| September 16, 2016 | September 30, 2016 | \$ 0.34375                                       | \$ 0.359375                                      | \$ 2,998                           |
| June 17, 2016      | June 30, 2016      | \$ 0.34375                                       | \$ 0.359375                                      | \$ 2,998                           |

On February 9, 2017, the Board also approved a cash dividend of \$0.24281 per Series A Preferred Share payable on March 31, 2017 to Series A Preferred shareholders of record as at March 17, 2017 [Note 19].

On February 9, 2017, the Board also approved a cash dividend of \$0.359375 per Series C Preferred Share payable on March 31, 2017 to Series C Preferred shareholders of record as at March 17, 2017 [Note 19].

## NOTE 15 Share-Based Payment Plans

### a. LONG-TERM INCENTIVE PLAN

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

The fair value of the RSUs at the measurement date is based on the purchase price of the shares by the Trusts on the open market and is amortized on a graded basis over the vesting period of generally three years. Employees who participated in the Private Placement were granted RSUs during the nine months ended December 31, 2016 which were similar to other grants made under the LTIP plan.

Total number of RSUs granted during the period was 11,466,996. The weighted average fair value of RSUs granted during the nine month period ended December 31, 2016 was \$4.76 [December 31, 2015 – \$6.42].

|  | Number            |
|--|-------------------|
| Awards outstanding, March 31, 2016           | 11,962,855        |
| Grants                                       | 11,466,996        |
| Vested                                       | (4,247,713)       |
| Forfeited                                    | (694,339)         |
| <b>Awards outstanding, December 31, 2016</b> | <b>18,487,799</b> |

|  | Number            |
|--|-------------------|
| Common shares held by the Trusts, March 31, 2016           | 12,171,624        |
| Acquired   | 9,746,309         |
| Released on vesting  | (2,670,853)       |
| <b>Common shares held by the Trusts, December 31, 2016</b> | <b>19,247,080</b> |

### b. SHARE-BASED COMPENSATION EXPENSE

|   | For the three months ended |                      | For the nine months ended |                      |
|---|----------------------------|----------------------|---------------------------|----------------------|
|   | December 31,<br>2016       | December 31,<br>2015 | December 31,<br>2016      | December 31,<br>2015 |
| Long-term incentive plan  | \$ 9,655                   | \$ 8,222             | \$ 28,969                 | \$ 23,776            |
| Forgivable common share purchase loans                                    | 916                        | 1,659                | 1,325                     | 4,668                |
| CSH Inducement Plan   | 631                        | 475                  | 1,431                     | 2,748                |
| Deferred share units (cash-settled)                                       | 45                         | (21)                 | (851)                     | (302)                |
| Other   | —                          | 222                  | 238                       | (175)                |
| Accelerated share-based payment expense included as restructuring expense | —                          | 432                  | —                         | 432                  |
| <b>Total share-based compensation expense</b>                             | <b>\$ 11,247</b>           | <b>\$ 10,989</b>     | <b>\$ 31,112</b>          | <b>\$ 31,147</b>     |

## NOTE 16 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:

|  | December 31,<br>2016 | March 31,<br>2016 |
|--|----------------------|-------------------|
| Accounts receivable                      | \$ 230               | \$ 61             |
| Accounts payable and accrued liabilities | \$ 890               | \$ 4,035          |

**NOTE 17**   **Segmented Information**

The Company operates in two industry segments as follows:

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

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

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

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

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

For the three months ended

|  | December 31, 2016 |                                     |                     |            | December 31, 2015 |                                     |                     |              |
|--|-------------------|-------------------------------------|---------------------|------------|-------------------|-------------------------------------|---------------------|--------------|
|  | Canaccord Genuity | Canaccord Genuity Wealth Management | Corporate and Other | Total      | Canaccord Genuity | Canaccord Genuity Wealth Management | Corporate and Other | Total        |
| Revenues, excluding interest revenue                           | \$ 136,385        | \$ 65,156                           | \$ 2,550            | \$ 204,091 | \$ 121,414        | \$ 58,326                           | \$ (1,884)          | \$ 177,856   |
| Interest revenue   | 883               | 2,212                               | 922                 | 4,017      | 731               | 2,330                               | 920                 | 3,981        |
| Expenses, excluding undernoted                                 | 122,064           | 52,153                              | 17,008              | 191,225    | 131,013           | 48,529                              | 12,795              | 192,337      |
| Amortization   | 2,632             | 2,240                               | 582                 | 5,454      | 3,662             | 2,662                               | 311                 | 6,635        |
| Development costs  | 729               | 1,972                               | 183                 | 2,884      | 1,414             | 1,632                               | 2,693               | 5,739        |
| Interest expense   | 1,889             | (37)                                | 982                 | 2,834      | 2,056             | 23                                  | 352                 | 2,431        |
| Restructuring costs  | —                 | —                                   | —                   | —          | 2,977             | —                                   | 1,300               | 4,277        |
| Impairment of goodwill and intangible assets                   | —                 | —                                   | —                   | —          | 321,037           | —                                   | —                   | 321,037      |
| Income (loss) before intersegment allocations and income taxes | 9,954             | 11,040                              | (15,283)            | 5,711      | (340,014)         | 7,810                               | (18,415)            | (350,619)    |
| Intersegment allocations                                       | 5,016             | 4,694                               | (9,710)             | —          | 3,918             | 5,214                               | (9,132)             | —            |
| Income (loss) before income taxes                              | \$ 4,938          | \$ 6,346                            | \$ (5,573)          | \$ 5,711   | \$ (343,932)      | \$ 2,596                            | \$ (9,283)          | \$ (350,619) |

For the nine months ended

|  | December 31, 2016    |   |                           |            | December 31, 2015    |   |                           |              |
|--|----------------------|---|---------------------------|------------|----------------------|---|---------------------------|--------------|
|  | Canaccord<br>Genuity | Canaccord<br>Genuity Wealth<br>Management | Corporate<br>and<br>Other | Total      | Canaccord<br>Genuity | Canaccord<br>Genuity Wealth<br>Management | Corporate<br>and<br>Other | Total        |
| Revenues, excluding interest revenue                           | \$ 401,964           | \$ 187,234                                | \$ 7,062                  | \$ 596,260 | \$ 391,017           | \$ 178,173                                | \$ 4,314                  | \$ 573,504   |
| Interest revenue   | 2,907                | 6,544                                     | 2,179                     | 11,630     | 2,674                | 7,960                                     | 2,755                     | 13,389       |
| Expenses, excluding undernoted                                 | 366,154              | 151,662                                   | 41,882                    | 559,698    | 371,906              | 146,634                                   | 38,738                    | 557,278      |
| Amortization   | 8,037                | 6,898                                     | 1,084                     | 16,019     | 10,616               | 7,739                                     | 866                       | 19,221       |
| Development costs  | 2,180                | 4,081                                     | 573                       | 6,834      | 4,734                | 5,615                                     | 3,390                     | 13,739       |
| Interest expense   | 7,213                | 76  | 1,571                     | 8,860      | 6,806                | 143                                       | 1,065                     | 8,014        |
| Restructuring costs  | —                    | —   | —                         | —          | 2,977                | —   | 1,300                     | 4,277        |
| Impairment of goodwill and intangible assets                   | —                    | —   | —                         | —          | 321,037              | —   | —                         | 321,037      |
| Income (loss) before intersegment allocations and income taxes | 21,287               | 31,061                                    | (35,869)                  | 16,479     | (324,385)            | 26,002                                    | (38,290)                  | (336,673)    |
| Intersegment allocations                                       | 13,046               | 12,517                                    | (25,563)                  | —          | 12,021               | 16,104                                    | (28,125)                  | —            |
| Income (loss) before income taxes                              | \$ 8,241             | \$ 18,544                                 | \$ (10,306)               | \$ 16,479  | \$ (336,406)         | \$ 9,898                                  | \$ (10,165)               | \$ (336,673) |

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

|                         | For the three months ended |                      | For the nine months ended |                      |
|-------------------------|----------------------------|----------------------|---------------------------|----------------------|
|                         | December 31,<br>2016       | December 31,<br>2015 | December 31,<br>2016      | December 31,<br>2015 |
| Canada                  | \$ 67,666                  | \$ 57,502            | \$ 208,341                | \$ 180,858           |
| UK, Europe and Dubai    | 66,560                     | 64,381               | 186,376                   | 216,359              |
| United States           | 61,458                     | 51,791               | 171,577                   | 163,340              |
| Australia               | 12,410                     | 6,906                | 39,352                    | 21,415               |
| Other Foreign Locations | 14                         | 1,257                | 2,244                     | 4,921                |
|                         | \$ 208,108                 | \$ 181,837           | \$ 607,890                | \$ 586,893           |

## NOTE 18 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 nine months ended December 31, 2016:

|                            | Legal<br>provisions | Restructuring<br>provisions | Total<br>provisions |
|----------------------------|---------------------|-----------------------------|---------------------|
| Balance, March 31, 2016    | \$ 3,600            | \$ 15,211                   | \$ 18,811           |
| Additions                  | 1,581               | —                           | 1,581               |
| Utilized                   | (2,530)             | (10,672)                    | (13,202)            |
| Balance, December 31, 2016 | \$ 2,651            | \$ 4,539                    | \$ 7,190            |

The restructuring provisions at December 31, 2016 relate primarily to termination benefits incurred as part of the Company's reorganization during the year ended March 31, 2016.

**Commitments, litigation proceedings and contingent liabilities**

In the normal course of business, the Company is involved in litigation, and as of December 31, 2016, it was a defendant in various legal actions. The Company has established provisions for matters where payments are probable and can be reasonably estimated. While the outcome of these actions is subject to future resolution, management's evaluation and analysis of these actions indicate that, individually and in the aggregate, the probable ultimate resolution of these actions will not have a material effect on the financial position of the Company. There were no material changes to the Company's commitments or contingencies from those described in the Company's audited annual consolidated financial statements as at and for the year ended March 31, 2016 and the interim condensed consolidated financial statements as at and for the period ended September 30, 2016 except as noted below.

An action has been commenced by the publishers of industry newsletters and other publications alleging copyright infringement. The damages claimed in this action are not quantified. The Company believes it has substantial defences to the claims asserted and intends to vigorously defend itself against this lawsuit. The probable outcome of the case and the likelihood of a loss to the Company in connection with any claims asserted against the Company are not determinable at the date of these unaudited interim condensed consolidated financial statements.

The Company is also subject to asserted and unasserted claims arising in the normal course of business which, as of December 31, 2016, have not resulted in the commencement of legal actions. The Company cannot determine the effect of all asserted and unasserted claims on its financial position; however, where losses arising from asserted and unasserted claims are considered probable and where such losses can be reasonably estimated, the Company has recorded a provision.

**NOTE 19****Subsequent Events****DIVIDENDS**

On February 9, 2017, the Board of Directors considered the Company's dividend policy in the context of the market environment and business activity and agreed a continued suspension of the quarterly dividend on common shares. This suspension will be reviewed quarterly and a determination made on the basis of business conditions and profitability.

On February 9, 2017 the Board of Directors approved the following cash dividends: \$0.24281 per Series A Preferred Share payable on March 31, 2017 with a record date of March 17, 2017; and \$0.359375 per Series C Preferred Share payable on March 31, 2017 with a record date of March 17, 2017.



---

# Shareholder Information

## Corporate Headquarters

---

### STREET ADDRESS

Canaccord Genuity Group Inc.  
609 Granville Street, Suite 2200  
Vancouver, BC, Canada

### MAILING ADDRESS

Pacific Centre  
609 Granville Street, Suite 2200  
P.O. Box 10337  
Vancouver, BC V7Y 1H2, Canada

## Stock Exchange Listing

---

Common shares:  
TSX: CF

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

## Corporate Website

---

[www.canaccordgenuity.com](http://www.canaccordgenuity.com)

## General Shareholder Inquiries and Information

---

### INVESTOR RELATIONS

161 Bay Street, Suite 3000  
Toronto, ON, Canada  
Telephone: 416.869.7293  
Fax: 416.947.8343  
Email: [investor.relations@canaccordgenuitygroup.com](mailto:investor.relations@canaccordgenuitygroup.com)

## Media Relations and Inquiries from Institutional Investors and Analysts

---

### Christina Marinoff

Vice President, Investor Relations and Communications

Phone: 416-687-5507

Email: [christina.marinoff@canaccord.com](mailto:christina.marinoff@canaccord.com)

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

## Expected Dividend<sup>(1)</sup> and Earnings Release Dates for the Next Four Quarters

---

|       | Expected earnings release date | Preferred dividend record date | Preferred dividend payment date | Common dividend record date | Common dividend payment date |
|-------|--------------------------------|--------------------------------|---------------------------------|-----------------------------|------------------------------|
| Q4/17 | June 1, 2017                   | June 16, 2017                  | June 30, 2017                   | June 16, 2017               | July 3, 2017                 |
| Q1/18 | August 2, 2017                 | September 15, 2017             | October 2, 2017                 | September 1, 2017           | September 15, 2017           |
| Q2/18 | November 7, 2017               | December 22, 2017              | January 2, 2018                 | December 1, 2017            | December 15, 2017            |
| Q3/18 | February 7, 2018               | March 16, 2018                 | April 2, 2018                   | March 2, 2018               | March 15, 2018               |

(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.

100 University Avenue, 9<sup>th</sup> Floor  
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](mailto:service@computershare.com)  
Website: [www.computershare.com](http://www.computershare.com)

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

## Financial Information

---

For present and archived financial information, please visit [www.canaccordgenuitygroup.com](http://www.canaccordgenuitygroup.com)

## Auditor

---

Ernst & Young LLP  
Chartered Professional Accountants  
Vancouver, BC