CANACCORD Genuity

THIRD QUARTER

Fiscal 2015 Report to Shareholders

To us there are no foreign markets.™

Canaccord Genuity Group Inc. Reports Third Quarter Fiscal 2015 Results

Announces strategic changes to leadership and operating structure of global capital markets business Excluding significant items, third quarter loss per common share of $0.19[1]

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

TORONTO, February 4, 2015 – During the third quarter of fiscal 2015, the quarter ended December 31, 2014, Canaccord Genuity Group Inc. (Canaccord, the Company, TSX: CF, LSE: CF.) generated $166.5 million in revenue. Excluding significant items[1], the Company recorded a net loss of $14.3 million or a net loss of $17.4 million attributable to common shareholders[2] (a loss per common share of $0.19). Including all expense items, on an IFRS basis, the Company recorded a net loss of $21.5 million or a net loss attributable to common shareholders[2] of $24.3 million (a loss per common share of $0.27).

"We are fortunate to have cultivated strong leadership across our global operations," said Paul Reynolds, President and CEO of Canaccord Genuity Group Inc. "The steps we have taken to improve and streamline our leadership structure allow us to bring a sharper management focus to our key priorities, to maximize our core strengths for our clients and shareholders."

On February 1, 2015, the Company announced that it had taken steps to reduce the size of its global workforce by 4%, to rationalize operations in light of current market conditions. In connection with this initiative, the Company announces key changes within the executive structure of its global capital markets business. The changes are in the interest of improving collaboration between global teams and accelerating the delivery of innovative thinking and solutions to clients focused on growth.

Dan Daviau has been appointed CEO, North American Capital Markets. In his new role, Dan will take an active role in managing Canadian and US capital markets operations. This appointment reflects Dan's extensive track record of achievement in serving and growing our client base in both Canada and the US and fostering partnerships between our businesses.

Canadian Investment Banking will be led by an executive team reporting to Dan Daviau comprised of Jens Mayer, who will continue as Co-Head of Investment Banking alongside Sanjiv Samant, who has been promoted to Co-Head of Investment Banking, Justin Bosa, who has been promoted to Head of Diversified Investment Banking, and Stewart Busbridge, who assumes the role of Head of Mergers & Acquisitions. This new team will be charged with continuing to grow and improve our already leading investment bank franchise.

Dvai Ghose has accepted the role of Global Head of Equity Research, a position that leverages his proven leadership capabilities as Head of Canadian Equity Research and his outstanding track record of delivering world-class research coverage as a top-ranked analyst in his sector. In addition, we are pleased to announce the appointment of Tony Dwyer and Michael Graham as Co-heads of our US Equity Research division. Both Tony and Michael have extensive experience building successful research platforms with global reach.

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Concluding a long and distinguished career at Canaccord Genuity, Matt Gaasenbeek will be stepping down from his role as President of Canadian Capital Markets. For more than two decades, Matt has been instrumental in building the Canadian capital markets team and shaping the growth of our North American equities businesses, having played a key role in the successful integration of our global sales, trading and execution capability.

Concurrent with these appointments, effective March 31, Phil Evershed has made the decision to leave his role as Global Head of Investment Banking, to focus on opportunities outside of investment banking. Since 2010, Phil has been an integral part of the growth and success of Canaccord Genuity and an outstanding partner and mentor within our global investment banking business. After March 31, Phil will continue as a Special Advisor to the Board of Directors of Canaccord Genuity Group Inc.

All appointments will take immediate effect.

Third Quarter of Fiscal 2015 vs. Third Quarter of Fiscal 2014

- Revenue of $166.5 million, a decrease of 28% or $64.5 million from $231.0 million
- Excluding significant items, expenses of $184.1 million, a decrease of 9% or $18.8 million from $202.9 million(1)
- Expenses of $192.0 million, a decrease of 7% or $14.5 million from $206.5 million
- Excluding significant items, loss per common share of $0.19 compared to diluted earnings per common share (EPS) of $0.17(1)
- Excluding significant items, net loss of $14.3 million compared to net income of $21.2 million(1)
- Net loss of $21.5 million compared to net income of $18.3 million
- Loss per common share of $0.27 compared to diluted EPS of $0.14

Third Quarter of Fiscal 2015 vs. Second Quarter of Fiscal 2015

- Revenue of $166.5 million, a decrease of 30% or $69.8 million from $236.3 million
- Excluding significant items, expenses of $184.1 million, a decrease of 11% or $23.3 million from $207.4 million(1)
- Expenses of $192.0 million, a decrease of 9% or $19.3 million from $211.3 million
- Excluding significant items, loss per common share of $0.19 compared to diluted EPS of $0.17(1)
- Excluding significant items, net loss of $14.3 million compared to net income of $20.7 million(1)
- Net loss of $21.5 million compared to net income of $17.6 million
- Loss per common share of $0.27 compared to diluted EPS of $0.14

Year-to-Date Fiscal 2015 vs. Year-to-Date Fiscal 2014 (Nine Months Ended December 31, 2014 vs. Nine Months Ended December 31, 2013)

- Revenue of $648.3 million, an increase of 8% or $46.8 million from $601.5 million
- Excluding significant items, expenses of $607.4 million, an increase of 10% or $54.6 million from $552.8 million(1)
- Expenses of $625.6 million, an increase of 10% or $56.7 million from $568.9 million
- Excluding significant items, diluted EPS of $0.20 compared to diluted EPS of $0.29(1)
- Excluding significant items, net income of $30.5 million compared to net income of $39.8 million(1)
- Net income of $15.0 million compared to net income of $26.1 million
- Diluted EPS of $0.05 compared to diluted EPS of $0.16

Financial Condition at End of Third Quarter Fiscal 2015 vs. Fourth Quarter Fiscal 2014

- Cash and cash equivalents balance of $340.0 million, down $24.3 million from $364.3 million
- Working capital of $422.2 million, a decrease of $47.2 million from $469.4 million
- Total shareholders' equity of $1.11 billion, down $60.7 million from $1.17 billion
- Book value per diluted common share of $8.63, down $0.42 from $9.05(3)
- On February 4, 2015, the Board of Directors approved a quarterly dividend of $0.05 per common share payable on March 10, 2015 with a record date of February 27, 2015
- On February 4, 2015, the Board of Directors also approved a cash dividend of $0.34375 per Series A Preferred Share payable on March 31, 2015 with a record date of March 20, 2015, and a cash dividend of $0.359375 per Series C Preferred Share payable on March 31, 2015 to Series C Preferred shareholders of record as at March 20, 2015

Summary of Operations

CORPORATE

- During the third quarter, the Company purchased 807,549 common shares under the terms of its normal course issuer bid (NCIB) to bring the total purchases to 1,186,249 for the fiscal year as of February 3, 2015 (1,071,749 common shares as of December 31, 2014)
- Subsequent to the quarter, the Company appointed Jefferies International Ltd. as joint corporate broker

CAPITAL MARKETS

- Canaccord Genuity led or co-led 34 transactions globally, raising total proceeds of C$0.9 billion(4) during fiscal Q3/15
- Canaccord Genuity participated in 77 transactions globally, raising total proceeds of C$6.2 billion(4) during fiscal Q3/15
- Significant investment banking transactions for Canaccord Genuity during fiscal Q3/15 include:
  - £95.0 million for Ediston Property Investment Company PLC on the LSE
  - US$82.8 million for ORBCOMM, Inc. on the NASDAQ
  - C$80.0 million for AGT Food and Ingredients Inc. on the TSX
  - US$65.0 million for Histogenics Corporation on the NASDAQ
  - C$50.3 million for American Hotel Income Properties REIT on the TSX
  - C$45.9 million for Kinaxis Inc. on the TSX
  - C$45.0 million for NYX Gaming Group Limited on the TSX
  - £36.3 million for Mortgage Advice Bureau on AIM
  - £35.7 million for Chesnara PLC on the LSE
  - C$28.8 million for ProMetic Life Sciences Inc. on the TSX
  - £25.0 million for HICL Infrastructure Company Limited on the LSE
  - AUD$21.3 million for BSA Limited on the ASX
- In Canada, Canaccord Genuity participated in raising $270.9 million for government and corporate bond issuances during fiscal Q3/15
- Canaccord Genuity generated advisory revenues of $22.6 million during fiscal Q3/15, a decrease of $17.0 million or 43% compared to the same quarter last year
- During fiscal Q3/15, significant M&A and advisory transactions included:
  - Agnico Eagle Mines Limited on its acquisition of Cayden Resources Inc.
  - The Co-operative Bank on the £157.5 million sale of Illius Properties Limited to Salmon Real Estate Limited
  - Essar Power Canada Holdings Inc. on its US$65.0 million debt financing
  - EnterpriseDB on its sale to Peak Equity Partners, Milestone Partners, and NewSpring Capital
  - Airclic Inc. on its sale to Descartes Systems Group
  - FranConnect on its majority recapitalization by Serent Capital
  - The Intertain Group Limited on its acquisition of Dumarca Group Holdings PLC
  - IK Investment Partners on the acquisition of Exxelia Group from LBO France
  - SunOpta Inc. on the C$37.5 million divestiture of its fibre and starch business
  - Resources Prima Group Limited (formerly Sky One Holdings Limited) on the acquisition of Energy Prima Pte. Limited

CANACCORD GENUITY WEALTH MANAGEMENT (GLOBAL)

- Globally, Canaccord Genuity Wealth Management generated $59.6 million in revenue in Q3/15
- Assets under administration in Canada and assets under management in the UK & Europe and Australia were $31.3 billion at the end of Q3/15(3)

CANACCORD GENUITY WEALTH MANAGEMENT (NORTH AMERICA)

- Canaccord Genuity Wealth Management (North America) generated $28.3 million in revenue and, after intersegment allocations, recorded a net loss of $1.8 million before taxes in Q3/15
- Assets under administration in Canada were $10.3 billion as at December 31, 2014, down 4% from $10.8 billion at the end of the previous quarter and up 8% from $9.5 billion at the end of fiscal Q3/14(3)
- Assets under management in Canada (discretionary) were $1.44 billion as at December 31, 2014, up 4% from $1.39 billion at the end of the previous quarter and up 35% from $1.07 billion at the end of fiscal Q3/14(3)
- As at December 31, 2014, Canaccord Genuity Wealth Management had 161 Advisory Teams(5), a decrease of one Advisory Team from September 30, 2014 and a decrease of two from December 31, 2013

CANACCORD GENUITY WEALTH MANAGEMENT (UK & EUROPE)

- Wealth management operations in the UK & Europe generated $30.0 million in revenue and, after intersegment allocations, and excluding significant items, recorded net income of $4.7 million before taxes in Q3/15(1)
- Assets under management (discretionary and non-discretionary) were $20.3 billion (£11.2 billion)(3) as at December 31, 2014

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

NON-IFRS MEASURES

The non–International Financial Reporting Standards (IFRS) measures presented include assets under administration, assets under management, book value per diluted common share and figures that exclude significant items. Significant items include restructuring costs, amortization of intangible assets, impairment of goodwill, and acquisition-related expense items, which include costs recognized in relation to both prospective and completed acquisitions. Book value per diluted common share is calculated as total common shareholders' equity divided by the number of diluted common shares outstanding and, commencing in Q1/14, adjusted for shares purchased under the NCIB and not yet cancelled, and estimated forfeitures in respect of unvested share awards under share-based payment plans.

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

SELECTED FINANCIAL INFORMATION EXCLUDING SIGNIFICANT ITEMS(1)

	Three months ended December 31			Nine months ended December 31		
(C$ thousands, except per share and % amounts)	**2014**	2013	Quarter-over-quarter change	**2014**	2013	YTD-over-YTD change
Total revenue per IFRS	**$ 166,471**	$ 230,959	(27.9)%	**$ 648,298**	$ 601,496	7.8%
Total expenses per IFRS	**191,991**	206,539	(7.0)%	**625,585**	568,919	10.0%
Significant items recorded in Canaccord Genuity						
Amortization of intangible assets	**1,684**	1,680	0.2%	**5,132**	5,040	1.8%
Impairment of goodwill	**4,535**	—	n.m.	**4,535**	—	n.m.
Restructuring costs	**—**	—	—	**—**	5,486	(100.0)%
Significant items recorded in Canaccord Genuity Wealth Management						
Amortization of intangible assets	**1,660**	1,945	(14.6)%	**6,124**	5,585	9.7%
Restructuring costs	**—**	—	—	**783**	—	n.m.
Significant items recorded in Corporate and Other						
Restructuring costs	**—**	—	—	**1,600**	—	n.m.
Total significant items	**7,879**	3,625	117.4%	**18,174**	16,111	12.8%
Total expenses excluding significant items	**184,112**	202,914	(9.3)%	**607,411**	552,808	9.9%
Net (loss) income before income taxes – adjusted	**$ (17,641)**	$ 28,045	(162.9)%	**$ 40,887**	$ 48,688	(16.0)%
Income taxes (recovery) – adjusted	**(3,388)**	6,818	(149.7)%	**10,377**	8,917	16.4%
Net (loss) income – adjusted	**$ (14,253)**	$ 21,227	(167.1)%	**$ 30,510**	$ 39,771	(23.3)%
(Loss) earnings per common share – basic, adjusted	**$ (0.19)**	$ 0.18	(205.6)%	**$ 0.21**	$ 0.32	(34.4)%
(Loss) earnings per common share – diluted, adjusted	**$ (0.19)**	$ 0.17	(211.8)%	**$ 0.20**	$ 0.29	(31.0)%

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

Fellow Shareholders:

Continuing economic and political uncertainty in many of the regions where we operate contributed to a turbulent capital markets environment throughout much of our fiscal third quarter. The heightened volatility that began late in our second fiscal quarter prevailed through October and November, which led to a postponement of transaction activity in our key markets.

During the quarter, financing values on the TSX and TSX-V plunged 23.4% and financing values on AIM decreased by 17.6% when compared to the same period last year. Despite ongoing and disciplined focus on cost containment, the abrupt decline in global investment banking activity adversely impacted our bottom line performance. For our fiscal third quarter, Canaccord Genuity Group recorded revenue of $166.5 million, a year-over-year decrease of 28%. Excluding significant items, the Company recorded a third quarter loss per share of $0.19. While all regions were negatively impacted by macroeconomic conditions, the most notable decline took place in the UK & Europe. General anxiety surrounding the outcome of the UK elections combined with fears of deflation in the Eurozone significantly slowed activity for our business in the region, which has historically recorded its strongest performance during our fiscal third quarter.

While investments we have made to diversify our revenue streams have limited our exposure to the energy sector in our core Canadian, UK & Europe and US businesses, the sharp decline in oil prices has reduced our expectation for advisory and financing activity in our Hong Kong and Beijing offices, which are closely tied to the energy sector. As a result, the Company recorded a $4.5 million impairment charge related to the goodwill allocated to that region.

Against this challenging backdrop, we have maintained a strong capital position, which safeguards our ability to deliver the breadth and quality of service our global clients have come to expect. At the end of the third quarter, the Company had $422.2 million in working capital and $340 million in cash and cash equivalents.

We have also upheld our commitment to protecting long term value for our shareholders through ongoing participation in our NCIB program. During the quarter, the Company purchased 807,549 shares for cancellation, bringing the total number of shares purchased to 1,186,249 for fiscal 2015. And finally, I am pleased to confirm that our Board of Directors has approved a dividend of $0.05 for this quarter.

Subsequent to the quarter, we made some changes to our leadership and operating structure which will impact our results in the near term, but improve our capital position over time. Approximately 80 professionals, predominantly in our UK & Europe and US operations, will be leaving the organization under various termination arrangements. We expect this new operating structure to deliver approximately $25 million in sustainable savings on an annual basis over the coming years. These decisions allow us to streamline and strengthen our capital markets businesses and position us well for future outperformance.

Advancing Our Global Leadership and Operating Structure

The successful integration of our global businesses has fostered the development of a strong culture of leaders who are working effectively to coordinate the extensive experience and capabilities across our regional teams.

We have reached a stage in the evolution of our business where we can confidently streamline our leadership structure to focus on strengthening profitability and protecting our core strengths. At the start of fiscal 2016, Canaccord Genuity will combine its Canadian and US operations into a unified North American business and streamline our four reporting businesses into three, North America, UK & Europe and Asia-Pacific.

This coordinated approach to leadership provides a clear line of sight into the businesses and will increase synergies between our teams. A carefully selected transition committee will manage successful integration of these changes to ensure minimal disruption for our professionals and, most importantly, the delivery of innovative ideas and a consistent service model for our clients.

Strong Performance During the First Half of Fiscal 2015 Offsets a Difficult Third Quarter

During the quarter, Canaccord Genuity participated in 77 transactions globally, raising total proceeds of C$6.2 billion. Revenues in our global capital markets division were negatively impacted by weak commodity markets and reduced transaction activity in global small-capitalization stocks. For our fiscal third quarter, Canaccord Genuity earned $103.9 million in revenue, a decrease of 39.3% compared to last year. Strong performance in our capital markets business during the first half of our fiscal year helped to offset third quarter losses, and we were able to increase year-to-date revenues by 5.7% compared to the first nine months of last year.

Revenue generated from advisory fees was $22.6 million, a decrease of $17.0 million from the same period last year. We attribute this result to a decrease of $19.6 million in our UK & Europe advisory business. The impact of this decline was moderately offset by improved performance in our Canadian and US advisory businesses, which recorded year-over-year increases of 22.3% and 44.1%, respectively.

Increased volatility had a positive impact on our trading business, as revenues from commissions and fees increased by 20.7% to $41.1 million during the quarter.

Looking ahead, we expect near-term commodity prices to remain volatile, which will support our agency trading business. Additionally, we believe continued weakness in commodity prices will create opportunities in our banking, M&A and advisory businesses, as companies pursue strategies to strengthen their capital base.

Global Wealth Management Operations Deliver Consistent and Stable Revenue Growth

Canaccord Genuity Wealth Management earned $58.2 million in revenue, an increase of 6.4% compared to last year. This business accounted for 35.0% of our total revenue during the quarter, an increase of 11.3% over the previous fiscal year and a testament to the diversification, stability and consistency of revenues that we receive from this business.

Total assets under administration and management grew to $31.3 billion at the end of the quarter, an increase of $2.3 billion, or 7.8% compared to the same quarter last year.

In the UK & Europe, this consistency in earnings was evident as Canaccord Genuity Wealth Management recorded $30.0 million in revenue, which, excluding significant items, translated to $4.7 million in net income before taxes, a 35.3% increase from the same period last year. The recent successful implementation of a sophisticated software platform provides this business with the necessary infrastructure to support significant expansion in the region.

In Canada, discretionary assets under management increased to $1.4 billion, an improvement of 34.7% compared to the same period last year. In November, we launched our proprietary asset management platform, Canaccord Genuity Global Portfolio Solutions (GPS), across Canada. Early response to the product has been strong, and we expect growing client investment in our range of GPS Optimized Portfolios to meaningfully increase assets under management in this business over the coming years.

Outlook

The market environment at the end of calendar 2014 had a disappointing impact on our quarterly results, but we remain confident in our business mix, our market position, and the opportunities ahead of us.

While the impact of developments in the energy sector leads us to adopt a cautious outlook for our capital markets business, we believe our diverse global platform provides us with a strong position to capitalize on the opportunities that lower oil prices will create in other areas of the global mid-market.

Our priorities for our capital markets business centre on increasing profitability in our core areas of strength, and on the delivery of long term value for our clients and our shareholders. As an independent investment bank with a focus on the global mid-market, we expect to make adjustments in our business mix over time to adapt to changes in market conditions.

For our global wealth management business, we will continue to focus on growing our share of fee-based and discretionary accounts by continuing to invest in the depth and quality of our offering. We will also continue to actively pursue opportunities to increase our scale in the UK. The strength of our balance sheet and prudent management of capital resources give us confidence in our near-term ability to pursue aggressive growth for our UK wealth management business. With the exceptional leadership and solid infrastructure we have in place, our objective is to double our assets under management in the UK over the coming years, through organic growth and bolt-on acquisitions.

Subsequent to the quarter, the Company announced the appointment of Jefferies International Ltd. as joint corporate broker alongside our existing corporate broker, RBC Europe Limited. We expect this relationship to contribute to strengthening brand awareness and exposure for Canaccord Genuity in the US and the UK & Europe.

Despite a challenging period in the global capital markets, I am confident Canaccord Genuity has the optimal mix of leadership and global capabilities to operate our business successfully and exceed the changing needs of our clients as we navigate this dynamic market environment together.

Kind regards,

"Paul D. Reynolds"

PAUL D. REYNOLDS
President & CEO

Management's Discussion and Analysis

Third quarter fiscal 2015 for the three months and nine months ended December 31, 2014 – this document is dated February 4, 2015

The following discussion of the financial condition and results of operations for Canaccord Genuity Group Inc. (Canaccord or the Company) is provided to enable the reader to assess material changes in our financial condition and to assess results for the three- and nine-month periods ended December 31, 2014 compared to the corresponding periods in the preceding fiscal year. The three-month period ended December 31, 2014 is also referred to as third quarter 2015 and Q3/15. 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, 2014, beginning on page 30 of this report; our Annual Information Form (AIF) dated June 10, 2014; and the 2014 annual Management's Discussion and Analysis (MD&A) including the audited consolidated financial statements for the fiscal year ended March 31, 2014 (Audited Annual Consolidated Financial Statements) in the Company's annual report dated June 3, 2014 (the 2014 Annual Report). There has been no material change to the information contained in the annual MD&A for fiscal 2014 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 2014 Annual Report and AIF filed on www.sedar.com as well as the factors discussed in the section entitled "Risks" in this MD&A, which include market, liquidity, credit, operational, legal and regulatory risks. Material factors or assumptions that were used by the Company to develop the forward-looking information contained in this document include, but are not limited to, those set out in the Fiscal 2015 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 2014 Annual Report and AIF filed on www.sedar.com. The preceding list is not exhaustive of all possible risk factors that may influence actual results. Readers are cautioned that the preceding list of material factors or assumptions is also not exhaustive.

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

Presentation of Financial Information and Non-IFRS Measures

This MD&A is based on the unaudited interim condensed consolidated financial statements for the three- and nine-month periods ended December 31, 2014 (Third Quarter 2015 Financial Statements) prepared in accordance with International Financial Reporting Standards (IFRS). The Third Quarter 2015 Financial Statements have been prepared in accordance with International Accounting Standard 34, "*Interim Financial Reporting*" (IAS 34), using accounting policies consistent with those applied in preparing the Company's Audited Annual Consolidated Financial Statements for the year ended March 31, 2014, except for new standards adopted as directed in Note 3 of the Third Quarter 2015 Financial Statements.

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 divided by the number of diluted common shares outstanding 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, impairment of goodwill, 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 12.

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

Business Overview

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

Canaccord Genuity Group Inc. is publicly traded under the symbol CF on the TSX and the symbol CF. on the main market of the London Stock Exchange. Canaccord Series A Preferred Shares are listed on the TSX under the symbol CF.PR.A. Canaccord Series C Preferred Shares are listed on the TSX under the symbol CF.PR.C.

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

BUSINESS ENVIRONMENT

During the third quarter of fiscal 2015, the Federal Reserve ended its quantitative easing program, citing that improvement in labour market conditions and the overall strength of the US economy no longer warrant policy-reflation assistance. As a result, investors' focus has shifted to the timing of the first Federal Reserve interest rate policy hike. Federal Reserve Chairman Janet Yellen has pledged to be "patient" when it comes to normalizing US interest rate policy, which is now closely dependent on inflationary pressures and the state of the global economy. While manufacturing Purchasing Managers Indices (PMIs) in the US and Canada averaged 57.7 and 53.9, respectively, during fiscal Q3/15, similar PMIs in Europe and China averaged 50.4 and 50.0, meaning that business conditions remain challenging. Additionally, deflation has arrived in the Eurozone, with the latest consumer price index (CPI) reading coming in at (0.2)%. In all, the majority of investors believe the European Central Bank (ECB) will have no choice but to accelerate the pace of non-conventional reflation to unclog credit markets. Other central banks have also pledged to increase support to their economies. In Japan, the Bank of Japan announced it would further expand its balance sheet in order to reach its stated goal of 2.0% inflation. In China, the People's Bank of China unexpectedly lowered its key lending rate, sending a clear signal that it will manage its growth slowdown prudently.

During fiscal Q3/15, global equity returns varied widely across countries, market capitalizations and sectors. Notably, OPEC's decision not to implement oil production cuts to reduce the over-abundance of oil triggered a sharp drop in crude prices ((41.0)% in fiscal Q3/15). Admittedly, oil prices will have to find their own equilibrium through demand and supply forces, as OPEC made its intentions clear that it will defend its market share of the global oil market. In other words, either oil prices will have to find equilibrium through rising demand, or high-cost producers such as US shale and Canadian oil sands will need to cut production. Understandably, several asset classes suffered from the decline in oil prices. During fiscal Q3/15, the Canadian dollar lost 3.6% and the S&P/TSX index fell 2.2%. The latter was hurt by the weak showing of the energy and basic materials sectors, which dropped 16.6% and 7.6%, respectively. Additionally, Canadian small-cap equities, which are more heavily weighted toward resource stocks, plunged by 10.0%. Meanwhile, the S&P 500 fared much better, up 4.4%, enjoying investors' appetite for the US dollar (+5.5%). This likely explains why gold, down 2.2%, failed to benefit from heightened volatility and macro-economic risks.

Looking ahead, we expect commodity prices to stay volatile as investors debate the temporary versus permanent nature of factors that have led to the correction in various commodities. On the positive side, the plunge in oil prices has lowered global inflation expectations, which should cause central banks to remain accommodative. As such, we expect global reflation to shift from Developed Market (DM) to Emerging Market (EM) central banks. Lower oil prices should also support the global economy by acting as a tax cut for consumers. On the other hand, lower oil prices should also negatively impact the Canadian economy and its currency, which should continue to drift around a purchasing power parity of 81 cents. Consequently, foreign investors are likely to moderate their appetite for Canadian equities.

While this environment could prove more challenging to our capital markets activities in the near term, increased market volatility is a supportive factor for our agency business. Moreover, banking, advisory and M&A opportunities should arise in the resource area of the market as companies look to strengthen their capital base and/or restructure through the ongoing commodity prices downturn. In general, corporations enjoy a very low cost of capital, which we expect they will use to perform value-accretive activities going forward.

MARKET DATA

Financing values on the TSX and the TSX Venture Exchange experienced notable decreases compared to the previous quarter and the year-over-year period. Financing values on the NASDAQ experienced an increase compared to the previous quarter, and a decrease compared to the same period last year, while AIM experienced an increase compared to the previous quarter and a decrease compared to the same period last year.

TOTAL FINANCING VALUE BY EXCHANGE

	October 2014	November 2014	December 2014	Fiscal Q3/15	Change from fiscal Q3/14	Change from fiscal Q2/15
TSX and TSX Venture (C$ billions)	4.8	2.3	3.7	10.8	(23.4)%	(28.0)%
AIM (£ billions)	0.3	0.3	0.8	1.4	(17.6)%	75.0%
NASDAQ (US$ billions)	3.9	8.9	5.4	18.2	(15.0)%	43.3%

Source: TSX Statistics, LSE AIM Statistics, Equidesk

ABOUT CANACCORD GENUITY GROUP INC.'S OPERATIONS

Canaccord Genuity Group Inc.'s operations are divided into two business segments: Canaccord Genuity (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 institutional, corporate and private clients. The Company's administrative segment is referred to as Corporate and Other.

Canaccord Genuity

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

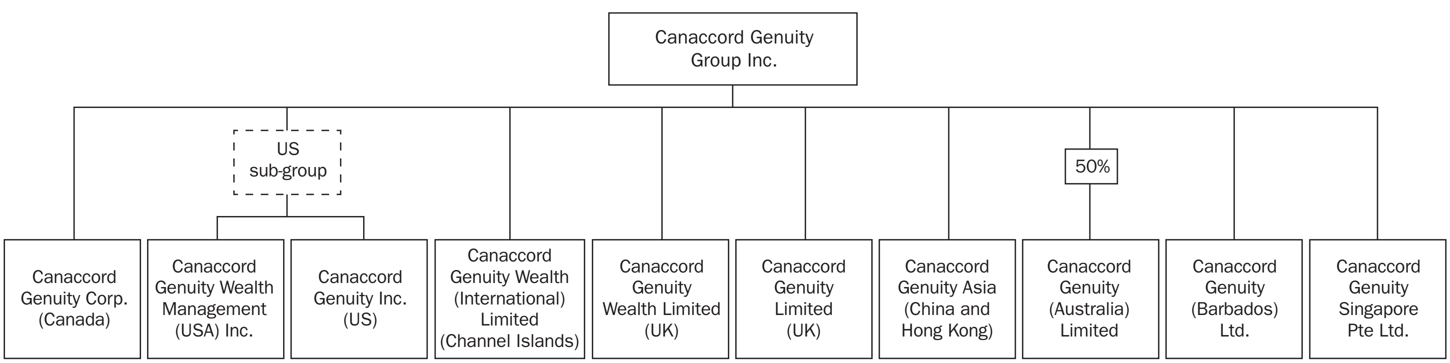
Canaccord Genuity Wealth Management

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'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, finance, and all administrative functions of Canaccord Genuity Group Inc.

Corporate structure



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

Consolidated Operating Results

THIRD QUARTER AND YEAR-TO-DATE FISCAL 2015 SUMMARY DATA[1][2]

(C$ thousands, except per share and % amounts, and number of employees)	Three months ended December 31 2014	2013	2012	QTD Q3/15 vs. Q3/14	Nine months ended December 31 2014	2013	2012	YTD FY 2015 vs. FY 2014
Canaccord Genuity Group Inc. (CGGI)								
Revenue								
Commissions and fees	**$ 92,123**	$ 87,581	$ 89,415	5.2%	**$ 273,189**	$ 259,448	$ 265,687	5.3%
Investment banking	**27,601**	70,841	40,609	(61.0)%	**181,262**	142,957	107,231	26.8%
Advisory fees	**22,618**	39,758	69,348	(43.1)%	**111,053**	105,557	123,545	5.2%
Principal trading	**14,612**	21,863	18,670	(33.2)%	**52,596**	60,286	43,626	(12.8)%
Interest	**5,045**	5,704	7,291	(11.6)%	**17,251**	18,641	22,441	(7.5)%
Other	**4,472**	5,212	4,670	(14.2)%	**12,947**	14,607	16,621	(11.4)%
Total revenue	**166,471**	230,959	230,003	(27.9)%	**648,298**	601,496	579,151	7.8%
Expenses								
Incentive compensation	**87,199**	114,877	114,137	(24.1)%	**328,925**	288,713	293,427	13.9%
Salaries and benefits	**20,430**	21,350	21,082	(4.3)%	**63,231**	65,966	65,697	(4.1)%
Other overhead expenses[3]	**79,827**	70,312	74,922	13.5%	**226,511**	208,754	222,825	8.5%
Restructuring costs[4]	**—**	—	6,310	—	**2,383**	5,486	25,172	(56.6)%
Impairment of goodwill[5]	**4,535**	—	—	n.m.	**4,535**	—	—	n.m.
Acquisition-related costs	**—**	—	431	—	**—**	—	1,719	—
Total expenses	**191,991**	206,539	216,882	(7.0)%	**625,585**	568,919	608,840	10.0%
(Loss) income before income taxes	**(25,520)**	24,420	13,121	(204.5)%	**22,713**	32,577	(29,689)	(30.3)%
Net (loss) income	**$ (21,479)**	$ 18,334	$ 10,264	(217.2)%	**$ 15,004**	$ 26,137	$ (25,199)	(42.6)%
Net (loss) income attributable to:								
CGGI shareholders	**$ (21,380)**	$ 17,321	$ 10,880	(223.4)%	**$ 13,810**	$ 25,679	$ (23,649)	(46.2)%
Non-controlling interests	**$ (99)**	$ 1,013	$ (616)	(109.8)%	**$ 1,194**	$ 458	$ (1,550)	160.7%
(Loss) earnings per common share – diluted	**$ (0.27)**	$ 0.14	$ 0.08	(292.9)%	**$ 0.05**	$ 0.16	$ (0.35)	(68.8)%
Return on common equity (ROE)	**(10.5)%**	6.4%	3.7%	(16.9) p.p.	**0.7%**	2.5%	(5.0)%	(1.8) p.p.
Dividends per common share	**$ 0.05**	$ 0.05	$ 0.05	—	**$ 0.20**	$ 0.15	$ 0.15	33.3%
Book value per diluted common share[6]	**$ 8.63**	$ 8.43	$ 7.62	2.4%				
Total assets	**$ 3,930,036**	$4,122,920	$4,977,201	(4.7)%				
Total liabilities	**$ 2,812,476**	$2,991,414	$3,910,105	(6.0)%				
Non-controlling interests	**$ 9,608**	$ 12,110	$ 15,913	(20.7)%				
Total shareholders' equity	**$ 1,107,952**	$1,119,396	$1,051,183	(1.0)%				
Number of employees	**2,002**	1,994	2,129	0.4%				
Excluding significant items[7]								
Total expenses	**$ 184,112**	$ 202,914	$ 205,025	(9.3)%	**$ 607,411**	$ 552,808	$ 566,412	9.9%
(Loss) income before income taxes	**(17,641)**	28,045	24,978	(162.9)%	**40,887**	48,688	12,739	(16.0)%
Net (loss) income	**(14,253)**	21,227	20,453	(167.1)%	**30,510**	39,771	10,065	(23.3)%
Net (loss) income attributable to:								
CGGI shareholders	**(14,400)**	19,968	20,746	(172.1)%	**28,548**	38,574	10,550	(26.0)%
Non-controlling interests	**147**	1,259	(293)	(88.3)%	**1,962**	1,197	(485)	63.9%
(Loss) earnings per common share – diluted	**(0.19)**	0.17	0.17	(211.8)%	**0.20**	0.29	0.02	(31.0)%

(1) Data is in accordance with IFRS except for ROE, book value per diluted common share, figures excluding significant items and number of employees. See Non-IFRS Measures on page 8.
(2) The operating results of the Australian operations have been fully consolidated and a 50% non-controlling interest has been recognized. Results of the wealth management business of Eden Financial Ltd. since October 1, 2012 are also included.
(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) Consists of restructuring costs 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. Fiscal 2014 and fiscal 2013 restructuring costs include expenses mainly in connection with restructuring of our sales and trading operations in Canada and the UK & Europe, certain real estate and office closure costs, and costs associated with restructuring of our Canadian wealth management operations.
(5) Impairment of goodwill in connection with our China-based operations and the acquisitions of The Balloch Group and certain assets of Kenosis Capital Partners.
(6) Book value per diluted common share is calculated as total common shareholders' equity divided by the number of diluted common shares outstanding and, commencing in fiscal 2014, 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[1]

(C$ thousands, except per share and % amounts)	Three months ended December 31 2014	2013	Quarter-over-quarter change	Nine months ended December 31 2014	2013	YTD-over-YTD change
Total revenue per IFRS	$ 166,471	$ 230,959	(27.9)%	$ 648,298	$ 601,496	7.8%
Total expenses per IFRS	191,991	206,539	(7.0)%	625,585	568,919	10.0%
Significant items recorded in Canaccord Genuity						
Amortization of intangible assets	1,684	1,680	0.2%	5,132	5,040	1.8%
Impairment of goodwill	4,535	—	n.m.	4,535	—	n.m.
Restructuring costs	—	—	—	—	5,486	(100.0)%
Significant items recorded in Canaccord Genuity Wealth Management						
Amortization of intangible assets	1,660	1,945	(14.6)%	6,124	5,585	9.7%
Restructuring costs	—	—	—	783	—	n.m.
Significant items recorded in Corporate and Other						
Restructuring costs	—	—	—	1,600	—	n.m.
Total significant items	7,879	3,625	117.4%	18,174	16,111	12.8%
Total expenses excluding significant items	184,112	202,914	(9.3)%	607,411	552,808	9.9%
Net (loss) income before taxes – adjusted	$ (17,641)	$ 28,045	(162.9)%	$ 40,887	$ 48,688	(16.0)%
Income taxes (recovery) – adjusted	(3,388)	6,818	(149.7)%	10,377	8,917	16.4%
Net (loss) income – adjusted	$ (14,253)	$ 21,227	(167.1)%	$ 30,510	$ 39,771	(23.3)%
(Loss) earnings per common share – basic, adjusted	$ (0.19)	$ 0.18	(205.6)%	$ 0.21	$ 0.32	(34.4)%
(Loss) earnings per common share – diluted, adjusted	$ (0.19)	$ 0.17	(211.8)%	$ 0.20	$ 0.29	(31.0)%

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

Foreign exchange

Revenues and expenses from our foreign operations are initially recorded in their respective functional currencies and translated into Canadian dollars at exchange rates prevailing during the period. The pound sterling and the US dollar appreciated against the Canadian dollar by approximately 4.7% and 8.3%, respectively, in Q3/15 when compared to Q3/14 and by approximately 10.8% and 6.4%, respectively, during the nine-month period ended December 31, 2014 when compared to the nine-month period ended December 31, 2013. This appreciation contributed to certain increases in revenue and expense items in Canadian dollars when compared to the applicable prior periods and should be considered when reviewing the following discussion in respect of our consolidated results as well as the discussion in respect of Canaccord Genuity and Canaccord Genuity Wealth Management UK & Europe.

Goodwill

During the quarter, the Company performed an interim impairment test of goodwill and indefinite-lived intangible assets. This test was undertaken in view of the decline in the Company's market capitalization during the quarter, the dramatic changes in market conditions during the quarter that have affected capital markets activities in the key sectors in which the Company operates, and overall economic conditions. These changes in market and economic conditions contributed to a decline in revenue from $236 million in Q2/15 to $166 million in Q3/15 and a change in net income excluding significant items from $20.7 million in Q2/15 to a loss excluding significant items of $14.3 million in Q3/15.

As a result of these interim impairment tests, the Company determined that there had been impairment in the goodwill in respect of Other Foreign Locations – China and recorded an impairment charge of $4.5 million in respect of the goodwill that had been allocated to this business unit.

Utilizing management's preliminary estimates for revenue and operating performance, growth rates and other assumptions typically required in connection with discounted cash flow models, the Company determined that there was no impairment in the goodwill and indefinite-lived intangible assets associated with its other business units. Notwithstanding this determination as of December 31, 2014, 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. As further described in Note 7 of the unaudited interim condensed consolidated financial statements, reasonably possible adverse changes in the key assumptions utilized for purposes of the interim impairment testing for Canaccord Genuity – Canada, UK & Europe, and the US and for Other Foreign Locations – Australia and Singapore may result in the estimated recoverable amount of some or all of these business units declining below the carrying value, with the result that impairment charges may be required. The extent of any such impairment charges could affect some or all of the amounts recorded for goodwill and indefinite-lived intangible assets and would be determined after incorporating the effect of any changes in key assumptions including any consequential effects of such changes on estimated operating income and on other factors.

Revenue

Third quarter 2015 vs. third quarter 2014

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, 2014 was $166.5 million, a decrease of 27.9% or $64.5 million compared to the same period a year ago. The Canaccord Genuity segment experienced a decrease of $67.4 million in Q3/15 compared to the same quarter in the prior year, mainly due to weak commodity markets and less activity by corporate issuers primarily in our focus sectors. The Canaccord Genuity Wealth Management segment generated revenue of $58.2 million during the three months ended December 31, 2014, an increase of $3.5 million over Q3/14.

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 $4.5 million, to $92.1 million, compared to the same period a year ago. Commissions and fees revenue earned in connection with the Canaccord Genuity Wealth Management segment increased by $3.7 million, of which $0.8 million was generated in Canada and $2.9 million was generated in the UK & Europe. The Canaccord Genuity segment contributed an additional $0.9 million to the increase in commissions and fees revenue compared to the same period last year.

Investment banking revenue decreased by $43.2 million or 61.0% from the same period a year ago, to $27.6 million in Q3/15. The Company experienced a decline in investment banking revenue in all geographic regions as a result of lower activity by corporate issuers in all our focus sectors.

Advisory fee revenue was $22.6 million, a decrease of $17.1 million or 43.1% from the same quarter a year ago. This decline in advisory fees was driven by a decrease of $19.6 million in our UK & Europe capital markets as transaction volume decreased substantially compared to Q3/14, partially offset by an increase of $1.4 million in our Canadian capital markets operations and an increase of $1.4 million in our US capital markets operations.

Principal trading revenue was $14.6 million in Q3/15, representing a decrease of $7.3 million compared to $21.9 million generated in Q3/14. The decrease was predominantly in our UK & Europe capital markets operations, which experienced a decline of $7.2 million in revenue.

Interest revenue was $5.0 million for the three months ended December 31, 2014, representing a decrease of $0.7 million from Q3/14. Other revenue was $4.5 million for Q3/15, down $0.7 million from the same period a year ago, mostly as a result of a decrease in foreign exchange gains recognized in Q3/15.

Year-to-date fiscal 2015 vs. year-to-date fiscal 2014

Revenue for the nine months ended December 31, 2014 was $648.3 million, an increase of 7.8% or $46.8 million compared to the same period a year ago, mainly due to a $38.3 million increase in investment banking revenue and a $13.7 million increase in commissions and fees revenue. These year-to-date increases reflect increases in the first two quarters of the year, offset by decreases in the third quarter as described above.

Commissions and fees revenue was $273.2 million, representing an increase of 5.3% compared to the nine months ended December 31, 2013. Our Canaccord Genuity Wealth Management segment increased its commissions and fees revenue by $18.0 million compared to the same period last year, which was offset by a decrease of $4.2 million in the Canaccord Genuity segment.

Revenue generated from investment banking was $181.3 million, compared to $143.0 million in the same period a year ago, representing an increase of $38.3 million or 26.8%. Investment banking revenue increased predominantly in our Canadian capital markets operations, where it rose by $29.3 million, followed by our US capital markets operations, with an increase of $4.7 million.

Advisory fee revenue of $111.1 million represented an increase of 5.2%, or $5.5 million, compared to the same period in the prior year. This increase was primarily due to higher activity in our capital markets operations in Canada and the US, which contributed $23.9 million and $2.2 million, respectively, to this increase, offset by a decrease of $21.6 million in the UK & Europe. Significant advisory transactions completed during the nine months ended December 31, 2014 were the Yamana Gold and the Amaya Gaming transactions.

Revenue derived from principal trading was $52.6 million, a decrease of $7.7 million compared to the same period last year. This decrease was primarily a result of lower revenue recorded in our UK & Europe operations.

Interest revenue decreased by $1.4 million compared to the nine months ended December 31, 2013. Other revenue decreased by $1.7 million to $12.9 million during the nine months ended December 31, 2014 as a result of lower foreign exchange gains recognized during the current period.

Expenses

Expenses for the three months ended December 31, 2014 were $192.0 million, a decrease of 7.0% or $14.5 million from the same period a year ago. With the decrease in revenue during the quarter and the non-variable nature of certain infrastructure and overhead costs, total expenses as a percentage of revenue increased by 25.9 percentage points compared to Q3/14.

EXPENSES AS A PERCENTAGE OF REVENUE

	Three months ended December 31			Nine months ended December 31		
	2014	2013	Quarter-over-quarter change	2014	2013	YTD-over-YTD change
Incentive compensation	**52.4%**	49.7%	2.7 p.p.	**50.7%**	48.0%	2.7 p.p.
Salaries and benefits	**12.3%**	9.3%	3.0 p.p.	**9.8%**	11.0%	(1.2) p.p.
Other overhead expenses(1)	**47.9%**	30.4%	17.5 p.p.	**34.9%**	34.7%	0.2 p.p.
Impairment of goodwill	**2.7%**	—	2.7 p.p.	**0.7%**	—	0.7 p.p.
Restructuring costs	**—**	—	—	**0.4%**	0.9%	(0.5) p.p.
Total	**115.3%**	89.4%	25.9 p.p.	**96.5%**	94.6%	1.9 p.p.

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

Compensation expense

Third quarter 2015 vs. third quarter 2014

Incentive compensation expense was $87.2 million, a decrease of 24.1% compared to Q3/14 reflecting the decrease in non–share based incentive compensation expense resulting from the decline in incentive-based revenue over that period. Incentive compensation as a percentage of revenue increased from 49.7% in Q3/14 to 52.4% in Q3/15. This increase is primarily due to the substantial decrease in capital markets revenue in the UK & Europe and the impact of that decrease on incentive compensation pools, and partially due to the increase in share-based incentive compensation expense as a percentage of revenue that resulted from an increase in restricted stock awards under our long-term incentive plan to staff in the US to support the growth in that region. Salaries and benefits expense decreased by $0.9 million to $20.4 million in Q3/15 compared to Q3/14. As a result of the decrease in revenue, the total compensation expense ratio (incentive compensation plus salaries and benefits) increased from 59.0% in Q3/14 to 64.7% in Q3/15.

Year-to-date fiscal 2015 vs. year-to-date fiscal 2014

Incentive compensation expense was $328.9 million for the nine months ended December 31, 2014, an increase of 13.9% from the same period in the prior year reflecting the increase in incentive-based revenue over that period. Incentive compensation as a percentage of total revenue was 50.7%, an increase of 2.7 percentage points over the same period in the prior year, mostly due to the impact of the substantial decrease in capital markets revenue in the UK & Europe and stock-based compensation in the US as described above.

Salaries and benefits expense of $63.2 million for the nine months ended December 31, 2014 was $2.7 million or 4.1% lower than in the same period a year ago, partially as a result of recording certain compensation costs in the UK as an incentive compensation expense rather than as salaries and benefits as recorded in the prior year. Total compensation expense (incentive compensation plus salaries and benefits) as a percentage of consolidated revenue was 60.5%, 1.5 percentage points higher than 59.0% in the same period a year ago.

OTHER OVERHEAD EXPENSES

	Three months ended December 31			Nine months ended December 31		
(C$ thousands, except % amounts)	2014	2013	Quarter-over-quarter change	2014	2013	YTD-over-YTD change
Trading costs	**$ 13,975**	$ 11,370	22.9%	**$ 39,384**	$ 33,673	17.0%
Premises and equipment	**9,579**	10,092	(5.1)%	**29,692**	29,250	1.5%
Communication and technology	**12,997**	12,345	5.3%	**37,415**	34,275	9.2%
Interest	**3,291**	3,875	(15.1)%	**10,523**	12,581	(16.4)%
General and administrative	**26,718**	22,077	21.0%	**72,623**	63,340	14.7%
Amortization(1)	**6,587**	6,750	(2.4)%	**21,434**	19,331	10.9%
Development costs	**6,680**	3,803	75.7%	**15,440**	16,304	(5.3)%
Total other overhead expenses	**$ 79,827**	$ 70,312	13.5%	**$ 226,511**	$ 208,754	8.5%

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

Third quarter 2015 vs. third quarter 2014

Compared to Q3/14, other overhead expenses of $79.8 million were $9.5 million or 13.5% higher in the third quarter of fiscal 2015. As a result of the fixed nature of most of these expenses and the decrease in revenue, total other overhead expenses as a percentage of revenue increased by 17.5 percentage points compared to Q3/14.

Higher trading costs of $2.2 million in our US capital markets operations was the primary reason for the $2.6 million increase in trading costs compared to Q3/14.

Interest expense decreased by $0.6 million, mostly as a result of lower expense in our US capital markets operations.

General and administrative expense increased by $4.6 million compared to Q3/14, mainly due to higher promotion and travel expense, and an increase in legal and other professional fees.

Development costs increased by $2.9 million compared to Q3/14, partially as a result of recording certain costs as development costs that were previously included as incentive compensation expense in our UK & Europe operations.

Year-to-date fiscal 2015 vs. year-to-date fiscal 2014

Other overhead expenses for the nine months ended December 31, 2014 increased by 8.5% or $17.8 million, to $226.5 million, from the same period a year ago. The increases in trading costs, premises and equipment expense, communication and technology expense, general and administrative expense and amortization expense were partially offset by decreases in interest expense and development costs.

Trading costs increased by $5.7 million or 17.0% compared to the same period of the prior year due to higher trading costs from our international equities group in the US. Communication and technology expense increased by $3.1 million for the nine months ended December 31, 2014, to $37.4 million, primarily as a result of increases recorded in the US and the UK & Europe to support the business growth in these operations.

General and administrative expense increased by $9.3 million as the Company incurred higher promotion and travel expense in our Canadian and US operations as a result of higher activity during the nine months ended December 31, 2014. In addition, legal and other professional fees also increased in Canada and the US. The $2.1 million increase in amortization expense was partially related to amortization of additional leasehold improvements in the UK capital markets operations.

Development costs decreased by $0.9 million compared to the nine months ended December 31, 2013, mainly due to lower hiring incentives in our Canadian and UK & Europe operations. Interest expense also decreased by $2.1 million compared to the same period last year.

During the nine months ended December 31, 2014, the Company also recognized restructuring costs of $2.4 million in our Canaccord Genuity Wealth Management UK & Europe and Corporate and Other segments related to the closure of our office in Geneva and certain executive changes in Canada. In addition, the Company recorded a $4.5 million impairment charge to goodwill in Q3/15 in connection with our China-based operations and the acquisitions of The Balloch Group and certain assets of Kenosis Capital Partners. With the weakening of oil prices during the quarter and decreased activity in the energy sector, there was a decline in expected advisory and financing transaction activity in our Hong Kong and Beijing offices, which were highly focused on this sector. As a result, the Company determined that the goodwill related to these operations was impaired.

Net (loss) income

Third quarter 2015 vs. third quarter 2014

Net loss for Q3/15 was $21.5 million compared to net income of $18.3 million in the same period a year ago. Loss per common share was $0.27 in Q3/15 compared to diluted EPS of $0.14 in Q3/14. The loss in the current period was attributable to lower revenue generated in our capital markets segment across all geographies as a result of weak market conditions.

Excluding significant items[1], net loss for Q3/15 was $14.3 million compared to net income of $21.2 million in Q3/14. Diluted loss per common share, excluding significant items[1], was $0.19 in Q3/15 compared to diluted EPS of $0.17 in Q3/14.

The effective tax recovery rate for Q3/15 was 15.8% compared to an effective tax rate of 24.9% in the same quarter last year. The decrease in the effective tax rate was mainly driven by various permanent items as well as temporary differences not recognized for accounting purposes in certain operations outside of Canada.

Year-to-date fiscal 2015 vs. year-to-date fiscal 2014

Net income for the nine months ended December 31, 2014 was $15.0 million compared to $26.1 million for the same period a year ago. Diluted EPS was $0.05 compared to $0.16 a year ago. Excluding significant items[1], net income was $30.5 million and diluted EPS was $0.20, compared to net income of $39.8 million and diluted EPS of $0.29 in the same period a year ago.

The $11.1 million decrease in net income for the nine months ended December 31, 2014 compared to the same period last year was due to the loss incurred in Q3/15 for the reasons discussed above. In addition, there was also an impairment charge of $4.5 million related to the goodwill associated with our China-based operations as discussed above.

Income taxes were $7.7 million for the nine months ended December 31, 2014, reflecting a year-to-date effective tax rate of 33.9%, compared to income taxes of $6.4 million and an effective tax rate of 19.8% for the same period last year. The change in the effective tax rate was mainly due to the utilization of tax losses and other temporary differences not recognized in prior periods by certain subsidiaries outside of Canada.

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

Results of Operations by Business Segment

CANACCORD GENUITY[1][2]

(C$ thousands, except number of employees and % amounts)	Three months ended December 31 2014	Three months ended December 31 2013	Quarter-over-quarter change	Nine months ended December 31 2014	Nine months ended December 31 2013	YTD-over-YTD change
Revenue	$ 103,866	$ 171,234	(39.3)%	$ 453,726	$ 429,131	5.7%
Expenses						
Incentive compensation	61,675	87,850	(29.8)%	242,923	214,826	13.1%
Salaries and benefits	6,157	8,127	(24.2)%	19,112	25,657	(25.5)%
Other overhead expenses	55,640	45,193	23.1%	153,172	137,096	11.7%
Impairment of goodwill	4,535	—	n.m.	4,535	—	n.m.
Restructuring costs	—	—	—	—	5,486	(100.0)%
Total expenses	128,007	141,170	(9.3)%	419,742	383,065	9.6%
Intersegment allocations[3]	2,697	2,156	25.1%	8,788	6,292	39.7%
(Loss) income before income taxes[3]	$ (26,838)	$ 27,908	(196.2)%	$ 25,196	$ 39,774	(36.7)%
Number of employees	973	956	1.8%			
Excluding significant items[4]						
Total expenses	$ 121,788	$ 139,490	(12.7)%	$ 410,075	$ 372,539	10.1%
Intersegment allocations[3]	2,697	2,156	25.1%	8,788	6,292	39.7%
(Loss) income before income taxes[3]	(20,619)	29,588	(169.7)%	34,863	50,300	(30.7)%

(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 50% non-controlling interest has been recognized and included in the Canaccord Genuity segment.
(3) (Loss) income before income taxes includes intersegment allocated costs. See the Intersegment Allocated Costs section on page 24.
(4) Refer to the Selected Financial Information Excluding Significant Items table on page 12.
n.m.: not meaningful

Canaccord Genuity provides investment banking, research, and sales and trading services to corporate, institutional and government clients, and it conducts principal trading activities in Canada, the US, the UK & Europe, and Other Foreign Locations. Canaccord Genuity has 20 locations in 10 countries worldwide.

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

REVENUE BY GEOGRAPHY AS A PERCENTAGE OF CANACCORD GENUITY REVENUE

	Three months ended December 31 2014	Three months ended December 31 2013	Quarter-over-quarter change	Nine months ended December 31 2014	Nine months ended December 31 2013	YTD-over-YTD change
Revenue generated in:						
Canada	28.1%	24.1%	4.0 p.p.	34.4%	24.6%	9.8 p.p.
UK & Europe	22.8%	38.4%	(15.6) p.p.	25.9%	34.8%	(8.9) p.p.
US	41.9%	28.2%	13.7 p.p.	32.3%	33.8%	(1.5) p.p.
Other Foreign Locations	7.2%	9.3%	(2.1) p.p.	7.4%	6.8%	0.6 p.p.
	100.0%	100.0%		100.0%	100.0%	

p.p.: percentage points

Third quarter 2015 vs. third quarter 2014

Revenue

Canaccord Genuity generated revenue of $103.9 million in Q3/15, a decrease of 39.3% or $67.4 million from the same quarter a year ago as a result of lower market activity in all our geographic segments. Decreases across geographies were: a $42.0 million decrease in revenue in our UK & Europe operations, followed by a $12.1 million decrease in Canada, a decrease of $8.5 million in Other Foreign Locations and a decrease of $4.8 million in the US.

Expenses

Expenses for Q3/15 were $128.0 million, a decrease of 9.3% or $13.2 million compared to Q3/14. As a result of the non-variable nature of certain infrastructure, salaries and overhead costs, total expenses as a percentage of revenue increased by 40.7 percentage points compared to the same quarter in the prior year.

Incentive compensation and salaries and benefits

Incentive compensation expense for Q3/15 decreased by $26.2 million or 29.8% compared to Q3/14 as a result of the decline in incentive-based revenue. Incentive compensation expense as a percentage of revenue was 59.4%, an increase of 8.1 percentage points from Q3/14. Total compensation expense as a percentage of revenue was 65.3%, 9.3 percentage points higher than in Q3/14.

In our Canadian operations, non–share based incentive compensation charges were lower in Q3/15 compared to Q3/14 as a result of a decrease in incentive-based revenue, leading to a 1.8 percentage point decrease in the total compensation ratio. Our US operations experienced an increase of 2.9 percentage points in the total compensation ratio as a result of lower revenue as well as higher share-based incentive compensation expense that resulted from an increase in restricted stock awards to support the expansion in this region. Total compensation expense as a percentage of revenue in our Other Foreign Locations segment increased to 64.9% from 53.5% as a result of lower revenue during Q3/15. In our UK & Europe operations, total compensation expense as a percentage of revenue increased by 34.6 percentage points as a result of a significant decrease in revenue and the impact that decrease had on incentive compensation pools.

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

	Three months ended December 31			Nine months ended December 31		
	2014	2013	Quarter-over-quarter change	**2014**	2013	YTD-over-YTD change
Canada	**50.3%**	52.1%	(1.8) p.p.	**50.5%**	51.1%	(0.6) p.p.
UK & Europe	**92.4%**	57.8%	34.6 p.p.	**66.0%**	57.3%	8.7 p.p.
US	**60.7%**	57.8%	2.9 p.p.	**57.1%**	56.5%	0.6 p.p.
Other Foreign Locations	**64.9%**	53.5%	11.4 p.p.	**65.5%**	65.0%	0.5 p.p.
Canaccord Genuity (total)	**65.3%**	56.1%	9.2 p.p.	**57.8%**	56.0%	1.8 p.p.

p.p.: percentage points

Other overhead expenses

Total other overhead expenses excluding significant items[1] for Q3/15 were $54.0 million, an increase of 24.1% compared to Q3/14. The most significant fluctuations in other overhead expenses included a $2.8 million increase in trading costs, a $3.0 million increase in development costs, a $0.6 million increase in communication and technology expense and a $5.2 million increase in general and administrative expense, which were partially offset by a $0.6 million decrease in premises and equipment expense and a $0.4 million decrease in interest expense. Total other overhead expenses excluding significant items[1] as a percentage of revenue increased by 26.5 percentage points from the same quarter in the prior year.

Trading costs increased by $2.8 million as a result of higher execution and settlement charges in connection with international trading activities in the US. The $0.6 million increase in communication and technology expense in Q3/15 compared to the same quarter in the prior year was mostly attributable to our UK & Europe operations.

General and administrative expense in Q3/15 was $17.6 million, an increase of $5.2 million or 41.7% over Q3/14. The largest increase was in promotion and travel expense in our US operations, which was a result of a higher headcount and certain growth initiatives including the expansion of the fixed income business last year. In addition, professional fees in our US operations increased by $1.1 million compared to Q3/14.

Development costs increased by $3.0 million in Q3/15 compared to Q3/14, partially as a result of recording certain costs as development costs that were previously included as incentive compensation expense in our UK operations.

An impairment charge of $4.5 million related to the goodwill in connection with our China-based operations and the acquisitions of The Balloch Group and certain assets of Kenosis Capital Partners was recorded during the quarter ended December 31, 2014.

Income (loss) before income taxes

Loss before income taxes, including allocated overhead expenses, was $26.8 million in Q3/15, compared to income before income taxes, including allocated overhead expenses, of $27.9 million in the same quarter a year ago. Excluding significant items[1], income before income taxes decreased from a net income of $29.6 million in Q3/14 to a loss of $20.6 million in Q3/15. The decrease in income before income taxes in Q3/15 was mainly attributable to lower revenue generated across all of our geographies.

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

Year-to-date fiscal 2015 vs. year-to-date fiscal 2014

Revenue

Revenue for Canaccord Genuity in the nine months ended December 31, 2014 was $453.7 million, an increase of $24.6 million from the same period last year, mainly due to increased market activity during the first two quarters of fiscal 2015, which was partially offset by decreased activity in the third quarter. The most notable increase was in Canada, where revenue increased by 48.2% or $50.8 million compared to the same period last year. Revenue in the US and Other Foreign Locations also increased by $1.2 million and $4.3 million, respectively, compared to the same period last year. In our UK & Europe operations, revenue decreased by $31.8 million in the nine months ended December 31, 2014 from the same period last year, due to reduced market activity.

Expenses

Expenses for the nine months ended December 31, 2014 were $419.7 million, an increase of 9.6% or $36.7 million from the same period last year. Total expenses as a percentage of revenue increased by 3.2 percentage points compared to the first nine months of fiscal 2014.

Incentive compensation and salaries and benefits

Incentive compensation expense as a percentage of revenue increased by 3.5 percentage points to 53.5% for the nine months ended December 31, 2014. The increase in incentive compensation expense as a percentage of revenue was mainly attributable to a large decrease in revenue in the UK & Europe and compensation costs associated with certain growth initiatives in the US. In addition, share-based incentive compensation as a percentage of revenue was higher in the US and in the UK & Europe compared to the same period last year as a result of an increase in restricted stock awards under our long-term incentive plan to support growth in these two geographic regions.

Salaries and benefits decreased by $6.5 million compared to the nine months ended December 31, 2013. The decrease was partially related to the recording of certain compensation costs in the UK & Europe as incentive compensation rather than salaries and benefits in the current year.

Other overhead expenses

As discussed above, the Company incurred higher trading costs, communication and technology expense, and general and administrative expense in the nine months ended December 31, 2014 compared to the same period last year, offset partially by a decrease in interest expense.

Higher agency trading volumes in Canada and higher execution and settlement charges in connection with the international trading activities in the US contributed to the $5.8 million increase in trading costs compared to the nine months ended December 31, 2013.

Communication and technology expense increased by $3.0 million or 13.7% compared to the same period in the prior year, most notably in our US and UK & Europe operations.

General and administrative expense increased by $8.2 million, mainly due to higher promotion and travel expense as a result of business growth as well as a higher headcount. In addition, an increase in professional fees in our US operations also contributed to the overall increase in general and administrative expense.

Interest expense decreased by $1.9 million compared to the same period last year.

An impairment of goodwill of $4.5 million, as discussed above, was recorded for the nine months ended December 31, 2014.

During the nine months ended December 31, 2013, restructuring costs of $5.5 million were incurred mainly in connection with restructuring of the sales and trading operations in Canada and the UK & Europe, as well as certain office closure costs.

Income before income taxes

Income before income taxes for the nine months ended December 31, 2014 was $25.2 million, a decrease of $14.6 million from $39.8 million in the same period a year ago. Excluding significant items(1), income before income taxes for the nine months ended December 31, 2014 was $34.9 million, a decrease of $15.4 million from the same period a year ago due to the decline in revenue in the third quarter of fiscal 2015.

CANACCORD GENUITY WEALTH MANAGEMENT

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

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

CANACCORD GENUITY WEALTH MANAGEMENT NORTH AMERICA[1]

(C$ thousands, except AUM and AUA (in C$ millions), number of employees, Advisory Teams and % amounts)	Three months ended December 31		Quarter-over-quarter change	Nine months ended December 31		YTD-over-YTD change
	2014	2013		**2014**	2013	
Revenue	**$ 28,267**	$ 27,719	2.0%	**$ 92,260**	$ 78,974	16.8%
Expenses						
Incentive compensation	**13,980**	14,074	(0.7)%	**46,446**	39,763	16.8%
Salaries and benefits	**2,565**	2,854	(10.1)%	**8,715**	9,273	(6.0)%
Other overhead expenses	**9,714**	11,042	(12.0)%	**29,981**	32,477	(7.7)%
Total expenses	**26,259**	27,970	(6.1)%	**85,142**	81,513	4.5%
Intersegment allocations[2]	**3,794**	4,407	(13.9)%	**12,941**	12,397	4.4%
Loss before income taxes[2]	**$ (1,786)**	$ (4,658)	61.7%	**$ (5,823)**	$ (14,936)	61.0%
AUM – Canada (discretionary)[3]	**1,441**	1,070	34.7%			
AUA – Canada[4]	**10,310**	9,536	8.1%			
Number of Advisory Teams – Canada	**161**	163	(1.2)%			
Number of employees	**405**	425	(4.7)%			
Excluding significant items[5]						
Total expenses	**$ 26,259**	$ 27,970	(6.1)%	**$ 85,142**	$ 81,513	4.5%
Intersegment allocations[2]	**3,794**	4,407	(13.9)%	**12,941**	12,397	4.4%
Loss before income taxes[2]	**(1,786)**	(4,658)	61.7%	**(5,823)**	(14,936)	61.0%

(1) Data is in accordance with IFRS except for AUM, AUA, number of Advisory Teams and number of employees. See Non-IFRS Measures on page 8.
(2) Loss before income taxes includes intersegment allocations. See the Intersegment Allocated Costs section on page 24.
(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.
(5) Refer to the Selected Financial Information Excluding Significant Items table on page 12.

Third quarter 2015 vs. third quarter 2014

Revenue from Canaccord Genuity Wealth Management North America was $28.3 million, an increase of $0.5 million or 2.0%.

AUA in Canada increased by 8.1% to $10.3 billion at December 31, 2014 compared to $9.5 billion at December 31, 2013, reflecting higher market values over the year. AUM in Canada increased by 34.7% compared to Q3/14 due to the continued focus on the transition from traditional commission-based accounts to fee-related and managed accounts. There were 161 Advisory Teams in Canada, a decrease of two from a year ago. The fee-related revenue in our North American operations as a percentage of revenue increased by 7.8 percentage points from Q3/14 and accounted for 40.1% of the wealth management revenue in Canada during the third quarter of fiscal 2015.

As a result of our cost reduction initiatives, expenses for Q3/15 decreased by 6.1% or $1.7 million from Q3/14, to $26.3 million. Total expenses as a percentage of revenue decreased by 8.0 percentage points compared to Q3/14.

Incentive compensation expense decreased by $0.1 million compared to Q3/14. Total compensation expense as a percentage of revenue decreased by 2.5 percentage points compared to the same period last year as a result of lower fixed compensation levels.

Non-compensation expenses decreased by $1.3 million compared to Q3/14, mainly due to a $1.3 million decrease in general and administrative expense. The reduction in general and administrative expense was partially due to a recovery recorded in Q3/15 related to client settlements, as well as lower office expenses. In addition, development costs decreased by $0.2 million compared to Q3/14 as a result of a reduction in hiring incentives.

Loss before income taxes was $1.8 million in Q3/15 compared to a loss of $4.7 million in the same period a year ago, primarily as a result of the Company's cost reduction initiatives.

Year-to-date fiscal 2015 vs. year-to-date fiscal 2014

Revenue from Canaccord Genuity Wealth Management North America was $92.3 million during the nine months ended December 31, 2014, an increase of $13.3 million from the same period in the prior year.

Expenses for the nine months ended December 31, 2014 were $85.1 million, an increase of $3.6 million or 4.5% from the same period in the prior year. Total expenses as a percentage of revenue decreased by 10.9 percentage points compared to the same period last year. Incentive compensation expense increased by $6.7 million compared to the nine months ended December 31, 2013 as a result of higher incentive-based revenue. Total compensation expense as a percentage of revenue decreased by 2.3 percentage points compared to the same period last year due to lower fixed compensation levels.

The increase in incentive compensation expense due to higher revenue was partially offset by decreases in salaries and benefits and in non-compensation expenses. Trading costs decreased by $0.8 million compared to the same period last year. Lower hiring incentives in the nine months ended December 31, 2014 also led to a $1.1 million decrease in development costs. As a result of the continued focus on cost containment, general and administrative expense decreased by $0.9 million and communication and technology expense decreased by $0.5 million compared to the same period last year.

Loss before income taxes for the nine months ended December 31, 2014 was $5.8 million compared to a loss before income taxes of $14.9 million for the same period a year ago. The Company's efforts to continuously monitor costs and implement cost reduction initiatives resulted in a lower loss before income taxes for the nine months ended December 31, 2014 compared to the same period last year.

CANACCORD GENUITY WEALTH MANAGEMENT UK & EUROPE(1)

(C$ thousands, except AUM (in C$ millions), number of employees, investment professionals and fund managers, and % amounts)	Three months ended December 31			Nine months ended December 31		
	2014	2013	Quarter-over-quarter change	**2014**	2013	YTD-over-YTD change
Revenue	**$ 29,965**	$ 27,018	10.9%	**$ 89,879**	$ 79,826	12.6%
Expenses						
Incentive compensation	**10,762**	9,618	11.9%	**32,248**	28,737	12.2%
Salaries and benefits	**4,725**	3,477	35.9%	**13,893**	10,042	38.3%
Other overhead expenses	**10,465**	10,191	2.7%	**32,232**	28,775	12.0%
Restructuring costs	**—**	—	—	**783**	—	n.m.
Total expenses	**25,952**	23,286	11.4%	**79,156**	67,554	17.2%
Intersegment allocations(2)	**936**	2,175	(57.0)%	**3,156**	5,688	(44.5)%
Income before income taxes(2)	**$ 3,077**	$ 1,557	97.6%	**$ 7,567**	$ 6,584	14.9%
AUM – UK & Europe(3)	**20,307**	18,984	7.0%			
Number of investment professionals and fund managers – UK & Europe	**113**	119	(5.0)%			
Number of employees	**308**	294	4.8%			
Excluding significant items(4)						
Total expenses	**$ 24,292**	$ 21,341	13.8%	**$ 72,249**	$ 61,969	16.6%
Intersegment allocations(2)	**936**	2,175	(57.0)%	**3,156**	5,688	(44.5)%
Income before income taxes(2)	**4,737**	3,502	35.3%	**14,474**	12,169	18.9%

(1) Data is in accordance with IFRS except for AUM, number of investment professionals and fund managers and number of employees. See Non-IFRS Measures on page 8.
(2) Income before income taxes includes intersegment allocations. See the Intersegment Allocated Costs section on page 24.
(3) AUM in the UK & Europe is the market value of client assets managed and administered by the Company, from which the Company earns commissions and fees. This measure includes both discretionary and non-discretionary accounts.
(4) Refer to the Selected Financial Information Excluding Significant Items table on page 12.
n.m.: not meaningful

Third quarter 2015 vs. third quarter 2014

Revenue generated by our Canaccord Genuity Wealth Management UK & Europe operations is largely produced through fee-related accounts and portfolio management activities and, as such, is less sensitive to changes in market conditions. Revenue for Q3/15 was $30.0 million, an increase of 10.9% compared to Q3/14.

AUM in the UK & Europe as of December 31, 2014 was $20.3 billion. The fee-related revenue in our UK & European wealth management operations accounted for 69.1% of total revenue in this geography in Q3/15. 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 $10.8 million, a $1.1 million increase from $9.6 million in Q3/14 as a result of an increase in incentive-based revenue. Salaries and benefits expense increased by $1.2 million from the same period in the prior year, mainly as a result of the recording of certain costs as salaries and benefits that were previously recorded as allocated costs from Canaccord Genuity UK & Europe (capital markets). Total compensation expense (incentive compensation plus salaries and benefits) as a percentage of revenue increased by 3.2 percentage points from 48.5% in Q3/14 to 51.7% in Q3/15.

Premises and equipment expense increased by $0.4 million to $1.3 million in Q3/15, partially as a result of our wealth management operations relocating to a different office location in London, UK. Amortization expense decreased by $0.3 million compared to Q3/14 as a result of certain intangible assets being fully amortized.

Income before income taxes was $3.1 million compared to $1.6 million in the same period a year ago as a result of higher revenues recognized during the current period. Excluding significant items[1], which include amortization of intangible assets, net income before income taxes was $4.7 million, an increase of $1.2 million compared to net income before income taxes of $3.5 million in Q3/14.

Year-to-date fiscal 2015 vs. year-to-date fiscal 2014

Revenue from Canaccord Genuity Wealth Management UK & Europe was $89.9 million for the nine months ended December 31, 2014, an increase of $10.1 million or 12.6% from the same period in the prior year.

Expenses for the nine months ended December 31, 2014 were $79.2 million, an increase of $11.6 million or 17.2% from the same period in the prior year. Total compensation expense (incentive compensation plus salaries and benefits) as a percentage of revenue increased by 2.8 percentage points to 51.3% for the nine months ended December 31, 2014 as a result of the recording of certain costs as salaries and benefits that were previously recorded as allocated costs from Canaccord Genuity UK & Europe (capital markets). There was also a $1.4 million increase in premises and equipment expense, partially as a result of the staffing relocation in our London, UK operations, as discussed above.

General and administrative expense increased by $0.6 million, partially as a result of higher systems consulting fees incurred during the nine months ended December 31, 2014 to support the growth in business. In addition, amortization expense related to intangible assets increased by $0.6 million.

During the nine months ended December 31, 2014, the Company recognized $0.8 million of restructuring costs in connection with the closure of our office in Geneva.

Income before income taxes was $7.6 million compared to $6.6 million in the same period a year ago. Excluding significant items[1], which include amortization of intangible assets and restructuring costs, net income before income taxes was $14.5 million, an increase from the $12.2 million recorded in the same period of the prior year.

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

CORPORATE AND OTHER[1]

(C$ thousands, except number of employees and % amounts)	Three months ended December 31: 2014	2013	Quarter-over-quarter change	Nine months ended December 31: 2014	2013	YTD-over-YTD change
Revenue	$ 4,373	$ 4,988	(12.3)%	$ 12,433	$ 13,565	(8.3)%
Expenses						
Incentive compensation	782	3,335	(76.6)%	7,308	5,387	35.7%
Salaries and benefits	6,983	6,892	1.3%	21,511	20,994	2.5%
Other overhead expenses	4,008	3,886	3.1%	11,126	10,406	6.9%
Restructuring costs	—	—	—	1,600	—	n.m.
Total expenses	11,773	14,113	(16.6)%	41,545	36,787	12.9%
Intersegment allocations[2]	(7,427)	(8,738)	15.0%	(24,885)	(24,377)	(2.1)%
Income (loss) before income taxes[2]	$ 27	$ (387)	107.0%	$ (4,227)	$ 1,155	n.m.
Number of employees	316	319	(0.9)%			
Excluding significant items[3]						
Total expenses	$ 11,773	$ 14,113	(16.6)%	$ 39,945	$ 36,787	8.6%
Intersegment allocations[2]	(7,427)	(8,738)	15.0%	(24,885)	(24,377)	(2.1)%
Income (loss) before income taxes[2]	27	(387)	107.0%	(2,627)	1,155	n.m.

(1) Data is in accordance with IFRS except for figures excluding significant items and number of employees. See Non-IFRS Measures on page 8.
(2) Income (loss) before income taxes includes intersegment allocations. See the Intersegment Allocated Costs section on page 24.
(3) Refer to the Selected Financial Information Excluding Significant Items table on page 12.
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 operations and support services, which are responsible for front- and back-office information technology systems, compliance and risk management, operations, finance, and all administrative functions.

Third quarter 2015 vs. third quarter 2014

Revenue in the Corporate and Other segment for the three months ended December 31, 2014 was $4.4 million, a decrease of 12.3% or $0.6 million from the same quarter a year ago. The change was mainly related to lower foreign exchange gains recognized in Q3/15.

Expenses for Q3/15 decreased by $2.3 million or 16.6%, to $11.8 million, primarily due to the $2.6 million decrease in incentive compensation expense as a result of the reduction in group profitability.

Overall, income before income taxes was $nil compared to a loss before income taxes of $0.4 million in the same period a year ago.

Year-to-date fiscal 2015 vs. year-to-date fiscal 2014

Revenue was $12.4 million for the nine months ended December 31, 2014, a decrease of $1.1 million from the same period last year, primarily due to lower foreign exchange gains recognized during the current period.

Expenses for the nine months ended December 31, 2014 were $41.5 million, an increase of $4.8 million from the same period last year. The overall increase in expenses was mainly attributable to the $1.9 million increase in incentive compensation expense resulting from higher share-based incentive compensation expense. In addition, the Company also recorded restructuring costs of $1.6 million in connection with certain executive changes in Canada in the nine months ended December 31, 2014.

Overall, loss before income taxes was $4.2 million in the nine months ended December 31, 2014 compared to an income before income taxes of $1.2 million in the same period a year ago. Excluding significant items[1], loss before income taxes was $2.6 million in the nine months ended December 31, 2014 compared to income before income taxes of $1.2 million in the same period last year.

Quarterly Results

Our quarterly results are 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's quarterly results.

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

The following table provides selected quarterly financial information for the eight most recently completed financial quarters ended on or before December 31, 2014. This information is unaudited but reflects all adjustments of a recurring nature, which are, in the opinion of management, necessary to present a fair statement of the results of operations for the periods presented. Quarter-to-quarter comparisons of financial results are not necessarily meaningful and should not be relied upon as indications of future performance.

(C$ thousands, except per share amounts)	**Fiscal 2015**			Fiscal 2014				Fiscal 2013
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue								
Canaccord Genuity	**$ 103,866**	$ 170,615	$ 179,245	$ 186,659	$ 171,234	$ 126,691	$ 131,206	$ 153,997
Canaccord Genuity Wealth Management:								
North America	**28,267**	31,637	32,356	32,016	27,719	24,413	26,842	32,223
UK & Europe	**29,965**	29,786	30,128	33,220	27,018	25,830	26,978	26,706
Corporate and Other	**4,373**	4,233	3,827	1,853	4,988	6,372	2,205	5,045
Total revenue	**$ 166,471**	$ 236,271	$ 245,556	$ 253,748	$ 230,959	$ 183,306	$ 187,231	$ 217,971
Net (loss) income	**(21,479)**	17,614	18,869	25,920	18,334	(80)	7,883	6,424
(Loss) earnings per common share – basic	**$ (0.27)**	$ 0.16	$ 0.16	$ 0.24	$ 0.15	$ (0.03)	$ 0.06	$ 0.04
(Loss) earnings per common share – diluted	**$ (0.27)**	$ 0.14	$ 0.15	$ 0.22	$ 0.14	$ (0.03)	$ 0.06	$ 0.04

The first six months of fiscal 2015 continued to demonstrate the positive trend and momentum which started towards the second half of fiscal 2014. However, during Q3/15, our results suffered from the decline in market conditions throughout the different geographic regions. The Canaccord Genuity (capital markets) division, which has been gaining traction from its acquisition of Collins Stewart Hawkpoint plc (CSHP), experienced a decrease in revenue of 39.3% compared to Q3/14 and of 39.1% compared to Q2/15. As a result of the market downturn, the revenue in our UK & Europe capital markets operations decreased by 63.9% from the record revenue earned in Q3/14. Our US operations also experienced a decline in revenue during fiscal 2015 compared to the same period in the prior fiscal year. The operating profits for the US operations have also been impacted by additional costs resulting from certain growth initiatives including the expansion of the fixed income business. In Canada, our capital markets division was impacted by the difficult market environment throughout fiscal 2014. Starting from the first quarter of fiscal 2015, revenue for Canaccord Genuity in Canada began to show a positive trend, increasing by 35.1% compared to Q4/14. Revenue in Q2/15 increased by another 18.4% compared to Q1/15, to $68.9 million, marking the highest revenue earned in a quarter since Q4/13. The significant increase in revenue was mostly due to the completion of two significant transactions during the first six months of fiscal 2015. However, as a result of the reduction in market activity, revenue in Canada decreased by 57.6% in Q3/15 compared to Q2/15. Due to the strong performance of our Australian operations, our Other Foreign Locations operations generated strong revenue during the first six months of fiscal 2015; however, as a result of the global decline in market activity, revenue in Q3/15 decreased by 38.1% compared to Q2/15.

Our Canaccord Genuity Wealth Management North America operations have generated higher revenue in more recent quarters, particularly during the first six months of fiscal 2015. Despite the decrease in revenue from Q2/15 to Q3/15, operating loss has remained at the same level, reflecting the cost containment efforts of the operations. The Canadian operations also increased their assets under management by 34.7% compared to Q3/14, to $1.4 billion at the end of Q3/15, a solid indication of growth in our managed and fee-related accounts.

The Canaccord Genuity Wealth Management UK & Europe operations continued to experience a steady growth in revenue, and the fee-related revenue in this division has been steadily increasing. It now stands at 69.1% for Q3/15, a 5.5 percentage point increase from Q3/14. Assets under management for this group have also generally increased over the past eight completed financial quarters, reaching $20.3 billion as of the end of Q3/15.

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, as well as a drop in business volume within the correspondent brokerage services operations.

Intersegment Allocated Costs

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

Financial Condition

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

ASSETS

Cash and cash equivalents were $340.0 million on December 31, 2014 compared to $364.3 million on March 31, 2014. Refer to the Liquidity and Capital Resources section on page 25 for more details.

Securities owned were $1.0 billion on December 31, 2014 compared to $1.1 billion on March 31, 2014, due mostly to a decrease in corporate and government debt owned.

Accounts receivable were $1.9 billion at December 31, 2014 compared to $2.8 billion at March 31, 2014, mainly due to a decrease in receivables from brokers and investment dealers.

Goodwill was $505.3 million and intangible assets were $130.3 million at December 31, 2014, representing the goodwill and intangible assets acquired through the purchases of Genuity Capital Markets, The Balloch Group, CSHP, a 50% interest in Canaccord Genuity (Australia) Limited, the wealth management business of Eden Financial Ltd., and from the acquisition of certain assets of Kenosis Capital Partners. At March 31, 2014, goodwill was $514.9 million and intangible assets were $131.7 million. The decrease in intangible assets was primarily a result of the amortization of intangible assets, netted against an increase in capitalized costs relating to systems development. The decrease in goodwill was due to the impairment charge of $4.5 million in connection with our China-based operations and the acquisitions of The Balloch Group and certain assets of Kenosis Capital Partners.

Other assets, consisting of income taxes receivable, deferred tax assets, equipment and leasehold improvements, and investments, were $67.9 million at December 31, 2014 compared to $74.7 million at March 31, 2014.

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, 2014, the Company had available credit facilities with banks in Canada and the UK in the aggregate amount of $761.4 million [March 31, 2014 – $720.8 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. There was no bank indebtedness balance as of December 31, 2014 or March 31, 2014.

Securities sold short were $839.8 million at December 31, 2014 compared to $913.9 million at March 31, 2014, due mostly to a decrease in short positions in corporate and government debt.

Accounts payable and accrued liabilities, including provisions, were $1.9 billion at December 31, 2014, a decrease from $2.9 billion at March 31, 2014, mainly due to a decrease in payables to brokers and investment dealers.

Other liabilities, including subordinated debt, income taxes payable and deferred tax liabilities, were $24.1 million at December 31, 2014 compared to $28.9 million at March 31, 2014.

Non-controlling interests were $9.6 million at December 31, 2014 compared to $14.9 million at March 31, 2014, which represents 50% of the net assets of our operations in Australia. The decrease was related to the purchase of non-controlling interests during Q3/15.

Off-Balance Sheet Arrangements

As of December 31, 2014, a subsidiary of the Company had an irrevocable secured standby letter of credit from a financial institution totalling $1.0 million (US$0.9 million) [March 31, 2014 – $0.9 million (US$0.9 million)] as 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, 2014, cash and cash equivalents were $340.0 million, a decrease of $24.3 million from $364.3 million as of March 31, 2014. During the nine months ended December 31, 2014, financing activities used cash in the amount of $94.2 million, mainly due to dividends paid, purchases of common shares for the long-term incentive plan (LTIP), as well as shares repurchased for cancellation. Investing activities used cash in the amount of $19.9 million, mainly for the purchase of equipment and leasehold improvements and intangible assets. In addition, there was $7.7 million used in the purchase of non-controlling interests. Operating activities generated cash in the amount of $91.9 million, which was largely due to changes in non-cash working capital. A decrease in cash of $2.2 million was attributable to the effect of foreign exchange translation on cash balances.

Compared to the nine months ended December 31, 2013, cash used in financing activities increased by $60.9 million as a result of additional funds used in the acquisition of common shares for the long-term incentive plan. Cash used in investing activities decreased by $13.5 million during the nine months ended December 31, 2014 compared to the same period last year, mainly due to the investment in Canadian First Financial Holdings Limited and the payment of the contingent consideration related to the acquisition of Eden Financial Ltd. in the prior year, offset by the purchase of intangible assets and non-controlling interests during the current fiscal year. Changes in working capital led to an increase in cash generated by operating activities of $169.6 million. Overall, cash and cash equivalents decreased by $17.7 million from $357.7 million at December 31, 2013 to $340.0 million at December 31, 2014.

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 collectibility. Receivables and payables from brokers and dealers represent the following: current open transactions that generally settle within the normal three-day settlement cycle; collateralized securities borrowed and/or loaned in transactions that can be closed within a few days on demand; and balances on behalf of introducing brokers representing net balances in connection with their client accounts.

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

The following table summarizes the Company's long term contractual obligations on December 31, 2014:

		Contractual obligations payments due by period			
(C$ thousands)	Total	Fiscal 2016	Fiscal 2017–Fiscal 2018	Fiscal 2019–Fiscal 2020	Thereafter
Premises and equipment operating leases	$ 178,653	$ 33,973	$ 54,933	$ 37,134	$ 52,613

Outstanding Share Data

	Outstanding shares as of December 31	
	2014	2013
Preferred shares		
Series A – issued shares outstanding	**4,540,000**	4,540,000
Series C – issued shares outstanding	**4,000,000**	4,000,000
Common shares		
Issued shares excluding unvested shares(1)	**90,878,279**	92,911,964
Issued shares outstanding(2)	**101,883,242**	101,818,941
Issued shares outstanding – diluted(3)	**104,538,229**	108,409,478
Average shares outstanding – basic	**91,835,900**	93,863,278
Average shares outstanding – diluted	**100,825,296**	103,192,653

(1) Excludes 3,447,655 outstanding unvested shares related to share purchase loans for recruitment and retention programs, 7,542,308 unvested shares purchased by employee benefit trusts for the LTIP, and 15,000 shares purchased through the NCIB for cancellation.
(2) Includes 3,447,655 outstanding unvested shares related to share purchase loans for recruitment and retention programs, 7,542,308 unvested shares purchased by employee benefit trusts for the LTIP, and 15,000 shares purchased through the NCIB for cancellation.
(3) Includes 4,187,759 share issuance commitments adjusted for estimated forfeitures.

On August 5, 2014, 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 5,100,049 of its common shares during the period from August 13, 2014 to August 12, 2015 through the facilities of the TSX and on alternative trading systems in accordance with the requirements of the TSX. The purpose of the purchase of common shares under the NCIB is to enable the Company to acquire shares for cancellation. The maximum number of shares that may be purchased under the current NCIB represents 5.0% of the Company's outstanding common shares at the time of the notice. There were 1,071,749 shares purchased through the NCIB between April 1, 2014 and December 31, 2014. Of these, 1,056,749 shares have been cancelled and the remaining 15,000 shares are being held in treasury to be 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.

Purchases under the current NCIB commenced on August 13, 2014, and will continue for one year (to August 12, 2015) at the discretion of the Company. The maximum consideration will be the market price of the securities at the time of acquisition. In order to comply with the trading rules of the TSX and the conditions for trading under the *EU Buy-back and Stabilisation Regulation*, the daily purchases are limited to 77,383 common shares of the Company (which is the lesser of (a) 25% of the average daily trading volume of common shares of the Company on the TSX in the six calendar months from February 2014 to July 2014 and (b) 25% of the average daily trading volume of common shares of the Company on the TSX in the month of July 2014). To fulfill its regulatory reporting requirements in Canada and in the UK, the Company will issue a press release no later than the end of the seventh daily market session following the date of execution of the purchases.

As of February 3, 2015, the Company has 101,779,237 common shares issued and outstanding.

Share-Based Payment Plans

There have been no other updates to the share-based payment plans discussed in the 2014 Annual Report.

International Financial Centre

The Company 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, 2014, forward contracts outstanding to sell US dollars had a notional amount of US$3.3 million, an increase of $0.4 million from December 31, 2013. Forward contracts outstanding to buy US dollars had a notional amount of US$1.5 million, the same as at December 31, 2013. The fair value of these contracts was nominal. Some of the Company's operations in the US, the UK & Europe, Australia, Singapore, Hong Kong and China are conducted in the local currency; however, any foreign exchange risk in respect of these transactions is generally limited as pending settlements on both sides of the transaction are typically in the local currency.

The Company's Canadian operations also have a net buy position for pounds sterling (GBP) of £2.5 million with an average price of 1.81 (CAD/GBP) and a maturity date of January 30, 2015. 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 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, 2014, the notional amount of the bond futures contracts outstanding was short $2.9 million [March 31, 2014 – $nil].

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

Related Party Transactions

The Company's related parties include the following persons and/or entities: (a) entities that are controlled or significantly influenced by the Company, and (b) key management personnel, who are comprised of the directors of the Company, as well as executives involved in strategic decision-making for the Company. A list of the Company's principal trading subsidiaries and principal intermediate holding companies is disclosed in Note 20 of the March 31, 2014 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 payable and accrued liabilities include the following balances with key management personnel:

(C$ thousands)	December 31, 2014	March 31, 2014
Accounts payable and accrued liabilities	$ 1,688	$ 4,769

Critical Accounting Policies and Estimates

The unaudited interim condensed consolidated financial statements for the quarter ended December 31, 2014 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 estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Therefore, actual results may differ from those estimates and assumptions. Accounts which require significant estimates to be made include share-based payments, income taxes, deferred tax assets associated with tax losses available for carryforward, goodwill, indefinite life intangible assets and other long-lived assets, allowance for credit losses, fair value of financial instruments, 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, 2014.

In accordance with IAS 36, "*Impairment of Assets*" (IAS 36), the recoverable amounts of the CGUs' net assets are determined using fair value less costs to sell (FVLCS) calculations, which are based on cash flow assumptions approved by senior management. There is a material degree of uncertainty with respect to the estimates of the recoverable amounts of the 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 cash-generating unit, cash flows are forecast over a five-year period from the end of the current interim 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 discount rate utilized for each of the CGUs ranged from 12.5% to 14.0% [March 31, 2014 – 12.5% to 14.0%]. Cash flow estimates for each CGU are based on management assumptions, and utilize compound annual revenue growth rates for the five-year period beginning December 31, 2015 which range from 9.0% to 15.0% [March 31, 2014 – 9.0% to 15.0%] as well as estimates in respect of operating margins.

The acquisitions of The Balloch Group and certain assets of Kenosis Capital Partners resulted in the recognition of $4.5 million of goodwill, which was allocated to the Other Foreign Locations (China) CGU. With the weakening of oil prices during the quarter and decreased activity in the energy sector, there was a decline in expected advisory and financing transaction activity in our Hong Kong and Beijing offices, which were highly focused on this sector. As a result, the Company determined that the goodwill related to our China-based operations was impaired.

Refer to Note 7 of the unaudited interim condensed consolidated financial statements for the nine months ended December 31, 2014 for further information regarding the key assumptions used in connection with the December 31, 2014 interim impairment tests of goodwill and indefinite life intangible assets.

With the exception of the "Changes in Accounting Policies" discussed below, significant accounting policies used and policies requiring management's judgment and estimates have not changed during the third quarter of fiscal 2015 and are discussed under "Critical Accounting Policies and Estimates" in our 2014 Annual Report.

Changes in Accounting Policies

There were no significant changes in the accounting policies discussed in Note 5 of the 2014 Audited Annual Consolidated Financial Statements, during the nine months ended December 31, 2014, except for the following new standard and interpretation, which were adopted and made effective as of April 1, 2014:

IAS 32 – "*OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES*" (IAS 32)

In December 2011, the IASB issued amendments to IAS 32, clarifying the requirements for offsetting financial instruments and addressing inconsistencies in current practice when applying the offsetting criteria in IAS 32, "*Financial Instruments: Presentation*". The amendments are effective for annual periods beginning on or after January 1, 2014, with early adoption permitted, and are required to be applied retrospectively. The Company adopted IAS 32 as of April 1, 2014 and there was no significant impact on the Company's consolidated financial statements.

INTERNATIONAL FINANCIAL REPORTING INTERPRETATIONS COMMITTEE (IFRIC) 21 – "*LEVIES*"

In May 2013, the IASB published a new IFRIC Interpretation 21, "*Levies*", which provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37, "*Provisions, Contingent Liabilities and Contingent Assets*", and for those where the timing and amount of the levy is certain. This interpretation is effective for annual periods beginning on or after January 1, 2014 and is applied retrospectively. The Company adopted IFRIC 21 as of April 1, 2014 and there was no significant impact on the Company's consolidated financial statements.

Future Changes in Accounting Policies and Estimates

There have been no updates to the "Future Changes in Accounting Policies and Estimates" disclosed in our 2014 Annual Report, during the nine months ended December 31, 2014 except as noted below. The Company is currently evaluating the impact these developments will have on its consolidated financial statements and assessing whether to early adopt any of the new requirements.

IFRS 9 – "*FINANCIAL INSTRUMENTS*" (IFRS 9)

On July 24, 2014, the IASB issued the final version of IFRS 9, bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39, "*Financial Instruments: Recognition and Measurement*" and all previous versions of IFRS 9.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

DISCLOSURE CONTROLS AND PROCEDURES

Based on an evaluation performed as of March 31, 2014, the President & CEO and the Executive Vice President & CFO concluded that the design and operation of our disclosure controls and procedures were effective as defined under *National Instrument 52-109*. During the nine months ended December 31, 2014, there were no changes that would have materially affected, or are reasonably likely to materially affect, Canaccord's disclosure controls and procedures.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

An evaluation of the Company's internal control over financial reporting was performed as of March 31, 2014. Based on this evaluation, the President & CEO and the Executive Vice President & CFO concluded that the Company's internal control over financial reporting is designed and operating effectively as defined under *National Instrument 52-109* and that there are no material weaknesses. There were no changes in internal control over financial reporting that occurred during the nine months ended December 31, 2014 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Dividend Policy

Although dividends are expected to be declared and paid quarterly, the Board of Directors, in its sole discretion, will determine the amount and timing of any dividends. All dividend payments will depend on general business conditions, 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 4, 2015, the Board of Directors approved the following cash dividends: a quarterly dividend of $0.05 per common share payable on March 10, 2015 to common shareholders with a record date of February 27, 2015; $0.34375 per Series A Preferred Share payable on March 31, 2015 with a record date of March 20, 2015; and $0.359375 per Series C Preferred Share payable on March 31, 2015 with a record date of March 20, 2015.

Risks

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

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

The financial services business is subject to extensive regulation in Canada, the US, the UK & Europe, Singapore, 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 22 of the Company's 2014 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 2014 Annual Report, which are available on our website at www.canaccordgenuitygroup.com/EN/IR/FinReports/Pages/default.aspx and on SEDAR at www.sedar.com.

Unaudited Interim Condensed Consolidated Statements of Financial Position

As at (in thousands of Canadian dollars)	Notes	December 31, 2014	March 31, 2014
ASSETS			
Current			
Cash and cash equivalents		$ 339,962	$ 364,296
Securities owned	4	1,018,038	1,143,201
Accounts receivable	6	1,868,510	2,785,898
Income taxes receivable		5,112	3,983
Total current assets		3,231,622	4,297,378
Deferred tax assets		9,706	9,735
Investments		9,964	9,977
Equipment and leasehold improvements		43,126	50,975
Intangible assets	7	130,346	131,650
Goodwill	7	505,272	514,907
		$ 3,930,036	$ 5,014,622
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Securities sold short	4	$ 839,826	$ 913,913
Accounts payable and accrued liabilities	6, 13	1,943,633	2,877,933
Provisions	15	4,906	10,334
Income taxes payable		6,082	10,822
Subordinated debt		15,000	15,000
Total current liabilities		2,809,447	3,828,002
Deferred tax liabilities		3,029	3,028
		2,812,476	3,831,030
Shareholders' equity			
Preferred shares	9	205,641	205,641
Common shares	10	616,996	653,189
Contributed surplus		75,259	74,037
Retained earnings		128,517	144,799
Accumulated other comprehensive income		81,539	91,014
Total shareholders' equity		1,107,952	1,168,680
Non-controlling interests		9,608	14,912
Total equity		1,117,560	1,183,592
		$ 3,930,036	$ 5,014,622

See accompanying notes

On behalf of the Board:

"Paul D. Reynolds"

PAUL D. REYNOLDS
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 December 31, 2014	For the three months ended December 31, 2013	For the nine months ended December 31, 2014	For the nine months ended December 31, 2013
REVENUE					
Commissions and fees		$ 92,123	$ 87,581	$ 273,189	$ 259,448
Investment banking		27,601	70,841	181,262	142,957
Advisory fees		22,618	39,758	111,053	105,557
Principal trading		14,612	21,863	52,596	60,286
Interest		5,045	5,704	17,251	18,641
Other		4,472	5,212	12,947	14,607
		166,471	230,959	648,298	601,496
EXPENSES					
Incentive compensation		87,199	114,877	328,925	288,713
Salaries and benefits		20,430	21,350	63,231	65,966
Trading costs		13,975	11,370	39,384	33,673
Premises and equipment		9,579	10,092	29,692	29,250
Communication and technology		12,997	12,345	37,415	34,275
Interest		3,291	3,875	10,523	12,581
General and administrative		26,718	22,077	72,623	63,340
Amortization		6,587	6,750	21,434	19,331
Development costs		6,680	3,803	15,440	16,304
Impairment of goodwill	7	4,535	—	4,535	—
Restructuring costs	15	—	—	2,383	5,486
		191,991	206,539	625,585	568,919
(Loss) income before income taxes		(25,520)	24,420	22,713	32,577
Income taxes (recovery)					
Current		(5,237)	1,581	7,414	10
Deferred		1,196	4,505	295	6,430
	8	(4,041)	6,086	7,709	6,440
Net (loss) income for the period		$ (21,479)	$ 18,334	$ 15,004	$ 26,137
Net (loss) income attributable to:					
CGGI shareholders		$ (21,380)	$ 17,321	$ 13,810	$ 25,679
Non-controlling interests		$ (99)	$ 1,013	$ 1,194	$ 458
Weighted average number of common shares outstanding (thousands)					
Basic		91,404	93,369	91,836	93,863
Diluted		n/a	102,667	100,825	103,193
Net (loss) income per common share					
Basic	10iii	$ (0.27)	$ 0.15	$ 0.05	$ 0.18
Diluted	10iii	$ (0.27)	$ 0.14	$ 0.05	$ 0.16
Dividend per common share	11	$ 0.05	$ 0.05	$ 0.20	$ 0.15
Dividend per Series A Preferred Share	11	$ 0.34	$ 0.34	$ 1.03	$ 1.03
Dividend per Series C Preferred Share	11	$ 0.36	$ 0.36	$ 1.08	$ 1.08

See accompanying notes

Unaudited Interim Condensed Consolidated Statements of Comprehensive Income (Loss)

(in thousands of Canadian dollars)	For the three months ended December 31, 2014	For the three months ended December 31, 2013	For the nine months ended December 31, 2014	For the nine months ended December 31, 2013
Net (loss) income for the period	**$ (21,479)**	$ 18,334	**$ 15,004**	$ 26,137
Other comprehensive income (loss)				
Net change in unrealized gains (losses) on translation of foreign operations	**2,907**	29,617	**(8,247)**	65,190
Comprehensive (loss) income for the period	**$ (18,572)**	$ 47,951	**$ 6,757**	$ 91,327
Comprehensive (loss) income attributable to:				
CGGI shareholders	**$ (18,853)**	$ 47,353	**$ 4,335**	$ 92,701
Non-controlling interests	**$ 281**	$ 598	**$ 2,422**	$ (1,374)

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, 2014	December 31, 2013
Preferred shares, opening and closing	9	$ 205,641	$ 205,641
Common shares, opening		653,189	638,456
Shares issued in connection with share-based payments		13,666	16,222
Acquisition of common shares for long-term incentive plan (LTIP)		(57,276)	(10,726)
Release of vested common shares from employee benefit trust		20,554	17,671
Shares cancelled		(9,529)	(20,095)
Net unvested share purchase loans		(3,608)	6,410
Common shares, closing	10	616,996	647,938
Contributed surplus, opening		74,037	85,981
Share-based payments		2,386	(7,385)
Shares cancelled		465	3,823
Unvested share purchase loans		1,463	(3,803)
Purchase of non-controlling interests		(3,092)	—
Contributed surplus, closing		75,259	78,616
Retained earnings, opening		144,799	126,203
Net income attributable to CGGI shareholders		13,810	25,679
Preferred shares dividends	11	(8,994)	(8,802)
Common shares dividends	11	(21,098)	(15,783)
Retained earnings, closing		128,517	127,297
Accumulated other comprehensive income (loss), opening		91,014	(7,118)
Other comprehensive (loss) income attributable to CGGI shareholders		(9,475)	67,022
Accumulated other comprehensive income, closing		81,539	59,904
Total shareholders' equity		1,107,952	1,119,396
Non-controlling interests, opening		14,912	16,169
Foreign exchange on non-controlling interests		(1,380)	(2,025)
Comprehensive income (loss) attributable to non-controlling interests		2,422	(1,374)
Dividends paid to non-controlling interests		(1,723)	(660)
Purchase of non-controlling interests		(4,623)	—
Non-controlling interests, closing		9,608	12,110
Total equity		$ 1,117,560	$ 1,131,506

See accompanying notes

Unaudited Interim Condensed Consolidated Statements of Cash Flows

For the nine months ended (in thousands of Canadian dollars)	Notes	December 31, 2014	December 31, 2013
OPERATING ACTIVITIES			
Net income for the period		$ 15,004	$ 26,137
Items not affecting cash			
Amortization		21,434	19,331
Deferred income tax expense		295	6,430
Share-based compensation expense	12	39,185	39,564
Impairment of goodwill	7	4,535	—
Changes in non-cash working capital			
Decrease (increase) in securities owned		126,803	(202,734)
Decrease in accounts receivable		894,220	610,031
Decrease in net income taxes payable		(8,846)	(11,589)
(Decrease) increase in securities sold short		(74,885)	119,790
Decrease in accounts payable, accrued liabilities and provisions		(925,803)	(684,612)
Cash provided by (used in) operating activities		91,942	(77,652)
FINANCING ACTIVITIES			
Bank indebtedness		—	18,942
Acquisition of common shares for long-term incentive plan		(57,276)	(10,726)
Purchase of shares for cancellation		(9,064)	(16,266)
Cash dividends paid on common shares		(21,098)	(15,744)
Cash dividends paid on preferred shares		(8,994)	(8,841)
Cash dividends paid to non-controlling interests		—	(660)
Proceeds from exercise of share options		2,222	—
Cash used in financing activities		(94,210)	(33,295)
INVESTING ACTIVITIES			
Purchase of equipment and leasehold improvements		(1,522)	(13,726)
Purchase of intangible assets (software under development)		(10,644)	(4,809)
Contingent consideration paid on the acquisition of Eden Financial Ltd. (Eden)		—	(9,129)
Purchase of non-controlling interests		(7,715)	—
Investment in Canaccord Genuity (Hong Kong) Limited		—	(699)
Investment in Canadian First Financial Holdings Limited (Canadian First)		—	(5,000)
Cash used in investing activities		(19,881)	(33,363)
Effect of foreign exchange on cash balances		(2,185)	11,011
Decrease in cash position		(24,334)	(133,299)
Cash position, beginning of period		364,296	491,012
Cash position, end of period		$ 339,962	$ 357,713
Supplemental cash flow information			
Interest received		$ 19,260	$ 23,865
Interest paid		$ 9,832	$ 11,464
Income taxes paid		$ 15,445	$ 7,127

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 in Canada with capital markets operations in Canada, the United Kingdom (UK) & Europe, the United States of America (US), Australia, China, Singapore and Barbados. 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 TSX and the symbol CF. on the main market of the London Stock Exchange. The Company's Series A Preferred Shares are listed on the TSX under the symbol CF.PR.A. The Company's Series C Preferred Shares are listed on the TSX under the symbol CF.PR.C.

The Company's business 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, 2014 (March 31, 2014 consolidated financial statements) filed on SEDAR on June 4, 2014. All defined terms used herein are consistent with those terms defined in the March 31, 2014 consolidated financial statements.

The unaudited interim condensed consolidated financial statements have been prepared on a historical 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 4, 2015.

USE OF ESTIMATES AND ASSUMPTIONS

The preparation of the unaudited interim condensed consolidated financial statements in conformity with IAS 34 requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date. Accounts which require significant estimates to be made include share-based payments, income taxes, deferred tax assets associated with tax losses available for carryforward, goodwill, indefinite life and other intangible assets, and other long-lived assets, allowance for credit losses, fair value of financial instruments, and provisions, which are more fully described in Note 2 of the March 31, 2014 consolidated financial statements.

Consolidation

During the nine months ended December 31, 2014, the Company purchased shares of Canaccord Financial Group (Australia) Pty Ltd. from the non-controlling interests in the amount of $7.7 million using an Employee Share Trust (the Trust). The Trust has been consolidated in accordance with IFRS 10, "*Consolidated Financial Statements*", since the Company has control over the activities of the Trust.

FUTURE ACCOUNTING DEVELOPMENTS

There have been no further updates to the future accounting developments disclosed in Note 4 of the March 31, 2014 consolidated financial statements, during the nine months ended December 31, 2014, except as noted below.

IFRS 9 – "*Financial Instruments*" (IFRS 9)

On July 24, 2014, the IASB issued the final version of IFRS 9, bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39, "*Financial Instruments: Recognition and Measurement*", and all previous versions of IFRS 9.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is in the process of assessing the impact of these changes.

NOTE 03 Summary of Significant Accounting Policies

There were no significant changes in the accounting policies discussed in Note 5 of the March 31, 2014 consolidated financial statements, during the nine months ended December 31, 2014, except for the following new standard and interpretation, which were adopted and made effective as of April 1, 2014:

IAS 32 – "*OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES*" (IAS 32)

In December 2011, the IASB issued amendments to IAS 32, clarifying the requirements for offsetting financial instruments and addressing inconsistencies in current practice when applying the offsetting criteria in IAS 32, "*Financial Instruments: Presentation*". The amendments are effective for annual periods beginning on or after January 1, 2014, with early adoption permitted, and are required to be applied retrospectively. The Company adopted IAS 32 as of April 1, 2014 and there was no significant impact on the Company's consolidated financial statements.

INTERNATIONAL FINANCIAL REPORTING INTERPRETATIONS COMMITTEE (IFRIC) 21 – "*LEVIES*"

In May 2013, the IASB published a new IFRIC Interpretation 21, "*Levies*", which provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37, "*Provisions, Contingent Liabilities and Contingent Assets*", and for those where the timing and amount of the levy is certain. This interpretation is effective for annual periods beginning on or after January 1, 2014 and is applied retrospectively. The Company adopted IFRIC 21 as of April 1, 2014 and there was no significant impact on the Company's consolidated financial statements.

NOTE 04 Securities Owned and Securities Sold Short

	December 31, 2014		March 31, 2014	
	Securities owned	Securities sold short	Securities owned	Securities sold short
Corporate and government debt	$ 823,994	$ 743,531	$ 924,149	$ 823,148
Equities and convertible debentures	194,044	96,295	219,052	90,765
	$ 1,018,038	$ 839,826	$ 1,143,201	$ 913,913

As at December 31, 2014, corporate and government debt maturities range from 2015 to 2097 [March 31, 2014 – 2014 to 2097] and bear interest ranging from 0.0% to 15.0% [March 31, 2014 – 0.0% to 15.0%].

NOTE 05 Financial Instruments

The categories of financial instruments, other than cash and cash equivalents, held by the Company at December 31, 2014 are as follows:

	Held for trading	Available for sale	Loans and receivables	Loans and borrowings	Total
Financial assets					
Securities owned	$ 1,018,038	$ —	$ —	$ —	$ 1,018,038
Accounts receivable from brokers and investment dealers	—	—	1,187,758	—	1,187,758
Accounts receivable from clients	—	—	357,447	—	357,447
RRSP cash balances held in trust	—	—	251,467	—	251,467
Other accounts receivable	—	—	71,838	—	71,838
Investments	—	9,964	—	—	9,964
Total financial assets	$ 1,018,038	$ 9,964	$ 1,868,510	$ —	$ 2,896,512
Financial liabilities					
Securities sold short	$ 839,826	$ —	$ —	$ —	$ 839,826
Accounts payable to brokers and investment dealers	—	—	—	972,439	972,439
Accounts payable to clients	—	—	—	826,600	826,600
Other accounts payable and accrued liabilities	—	—	—	144,594	144,594
Provisions	—	—	—	4,906	4,906
Subordinated debt	—	—	—	15,000	15,000
Total financial liabilities	$ 839,826	$ —	$ —	$ 1,963,539	$ 2,803,365

The categories of financial instruments, other than cash and cash equivalents, held by the Company at March 31, 2014 are as follows:

	Held for trading	Available for sale	Loans and receivables	Loans and borrowings	Total
Financial assets					
Securities owned	$ 1,143,201	$ —	$ —	$ —	$ 1,143,201
Accounts receivable from brokers and investment dealers	—	—	2,006,183	—	2,006,183
Accounts receivable from clients	—	—	418,799	—	418,799
RRSP cash balances held in trust	—	—	259,614	—	259,614
Other accounts receivable	—	—	101,302	—	101,302
Investments	—	9,977	—	—	9,977
Total financial assets	$ 1,143,201	$ 9,977	$ 2,785,898	$ —	$ 3,939,076
Financial liabilities					
Securities sold short	$ 913,913	$ —	$ —	$ —	$ 913,913
Accounts payable to brokers and investment dealers	—	—	—	1,659,617	1,659,617
Accounts payable to clients	—	—	—	965,229	965,229
Other accounts payable and accrued liabilities	—	—	—	253,087	253,087
Subordinated debt	—	—	—	15,000	15,000
Total financial liabilities	$ 913,913	$ —	$ —	$ 2,892,933	$ 3,806,846

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, 2014, the Company held the following classes of financial instruments measured at fair value:

		Estimated fair value		
			December 31, 2014	
	December 31, 2014	Level 1	Level 2	Level 3
Securities owned				
Corporate debt	$ 21,470	$ —	$ 21,470	$ —
Government debt	802,524	254,501	548,023	—
Corporate and government debt	823,994	254,501	569,493	—
Equities	191,024	165,639	22,304	3,081
Convertible debentures	3,020	—	309	2,711
Equities and convertible debentures	194,044	165,639	22,613	5,792
	1,018,038	420,140	592,106	5,792
Securities sold short				
Corporate debt	20,136	—	20,136	—
Government debt	723,395	200,271	523,124	—
Corporate and government debt	743,531	200,271	543,260	—
Equities	96,295	94,295	2,000	—
	839,826	294,566	545,260	—
Available for sale investments	9,964	—	4,234	5,730

As at March 31, 2014, the Company held the following classes of financial instruments measured at fair value:

		Estimated fair value		
	March 31, 2014	Level 1	March 31, 2014 Level 2	Level 3
Securities owned				
Corporate debt	$ 41,181	$ —	$ 41,181	$ —
Government debt	882,968	357,917	525,051	—
Corporate and government debt	924,149	357,917	566,232	—
Equities	201,666	175,228	26,125	313
Convertible debentures	5,501	—	2,801	2,700
Private investments	11,885	—	—	11,885
Equities and convertible debentures	219,052	175,228	28,926	14,898
	1,143,201	533,145	595,158	14,898
Securities sold short				
Corporate debt	(31,017)	—	(31,017)	—
Government debt	(792,131)	(366,894)	(425,237)	—
Corporate and government debt	(823,148)	(366,894)	(456,254)	—
Equities	(90,765)	(83,166)	(7,599)	—
	(913,913)	(450,060)	(463,853)	—
Available for sale investments	9,977	—	4,247	5,730

Movement in net Level 3 financial assets

March 31, 2014	$ 20,628
Transfer to Level 1 assets	(11,885)
Purchase of Level 3 assets	2,857
Other	(78)
December 31, 2014	**$ 11,522**

During the nine months ended December 31, 2014, there were $11.9 million of Level 3 assets transferred to Level 1 as a result of a private company stock that became publicly traded in the UK.

FAIR VALUE ESTIMATION

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.

Available for sale investments

Available for sale investments include the Company's investment in Euroclear, which has an estimated fair value of $4.3 million as at December 31, 2014 [March 31, 2014 – $4.2 million]. The current fair value is determined using the market-based approach.

Available for sale investments also include the Company's investment in Canadian First Financial Holdings Limited (Canadian First), which has an estimated fair value of $5.7 million as at December 31, 2014 [March 31, 2014 – $5.7 million]. The fair value for Canadian First 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. In the absence of any market indicators, the historical cost basis is used.

An increase or decrease of 10% in the fair value of available for sale investments held as at December 31, 2014 would cause an increase or decrease of approximately $0.6 million in other comprehensive income.

Private investments held for trading

The fair value for private 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 these private 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 private investments as at December 31, 2014 was $nil [March 31, 2014 – $11.9 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.

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
December 31, 2014	**$ 123,667**	**$ 43,829**	**$ 43,320**	**$ 171,763**
March 31, 2014	158,430	41,290	41,253	190,689

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

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 (loss) during the reporting period.

Forward contracts outstanding at December 31, 2014:

	Notional amount (millions)	**Average price**	**Maturity**	**Fair value**
To sell US dollars	**USD $ 3.3**	**$1.16 (CAD/USD)**	**January 2, 2015**	**$ (10)**
To buy US dollars	**USD $ 1.5**	**$1.16 (CAD/USD)**	**January 2, 2015**	**$ 4**
To buy pounds sterling (GBP)	**GBP £ 2.5**	**$1.81 (CAD/GBP)**	**January 30, 2015**	**$ 4**

Forward contracts outstanding at March 31, 2014:

	Notional amount (millions)	Average price	Maturity	Fair value
To sell US dollars	USD $ 13.8	$1.11 (CAD/USD)	April 3, 2014	$ 11
To buy US dollars	USD $ 5.5	$1.10 (CAD/USD)	April 1, 2014	$ 13
To buy pounds sterling (GBP)	GBP £ 2.5	$1.84 (CAD/GBP)	April 30, 2014	$ 7

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 148 days as at December 31, 2014 [March 31, 2014 – 115 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, 2014 and March 31, 2014, respectively. The fair value of the forward contract assets and liabilities is included in the accounts receivable and payable balances.

	December 31, 2014			March 31, 2014		
	Assets	**Liabilities**	**Notional amount**	Assets	Liabilities	Notional amount
Foreign exchange forward contracts	**$ 6,464**	**$ (6,483)**	**$ 319,647**	$ 1,359	$ (1,365)	$ 327,386

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, 2014, the notional amount of the bond futures contracts outstanding was short $2.9 million [March 31, 2014 – $nil].

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

NOTE 06 Accounts Receivable and Accounts Payable and Accrued Liabilities

ACCOUNTS RECEIVABLE

	December 31, 2014	March 31, 2014
Brokers and investment dealers	**$ 1,187,758**	$ 2,006,183
Clients	**357,447**	418,799
RRSP cash balances held in trust	**251,467**	259,614
Other	**71,838**	101,302
	$ 1,868,510	$ 2,785,898

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2014	March 31, 2014
Brokers and investment dealers	**$ 972,439**	$ 1,659,617
Clients	**826,600**	965,229
Other	**144,594**	253,087
	$ 1,943,633	$ 2,877,933

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, 2014 – 6.00% to 6.25% and 0.00% to 0.05%, respectively; March 31, 2014 – 6.00% to 6.25% and 0.00% to 0.05%, respectively].

As at December 31, 2014, the allowance for doubtful accounts was $15.1 million [March 31, 2014 – $13.2 million].

NOTE 07 Impairment Testing of Goodwill and Identifiable Intangible Assets with Indefinite Lives

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, 2014	March 31, 2014	**December 31, 2014**	March 31, 2014	**December 31, 2014**	March 31, 2014
Canaccord Genuity						
Canada	**$ 44,930**	$ 44,930	**$ 242,074**	$ 242,074	**$ 287,004**	$ 287,004
UK & Europe	**—**	—	**94,126**	95,789	**94,126**	95,789
US	**—**	—	**8,355**	7,942	**8,355**	7,942
Other Foreign Locations (China)	**—**	—	**—**	4,764	**—**	4,764
Other Foreign Locations (Australia)	**184**	195	**20,861**	22,537	**21,045**	22,732
Other Foreign Locations (Singapore)	**—**	—	**31,456**	31,539	**31,456**	31,539
Canaccord Genuity Wealth Management						
UK & Europe (Channel Islands)	**—**	—	**97,650**	99,322	**97,650**	99,322
UK & Europe	**—**	—	**10,750**	10,940	**10,750**	10,940
	$ 45,114	$ 45,125	**$ 505,272**	$ 514,907	**$ 550,386**	$ 560,032

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 CGU 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 impairment testing was carried out for all applicable CGUs at December 31, 2014.

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 cash flow assumptions approved by senior management. There is a material degree of uncertainty with respect to the estimates of the recoverable amounts of the 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, 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 discount rate utilized for each CGU for the purposes of these calculations was 12.5% in respect of Canada and the UK & Europe [March 31, 2014 – 12.5%] and 14.0% in respect of Australia, Singapore and the US [March 31, 2014 – 14.0%]. Cash flow estimates for each CGU are based on management assumptions as described above and utilize compound annual revenue growth rates for the five-year period beginning on January 1, 2016 (the Forecast Period) which range from 9.0% to 12.7% [March 31, 2014 – 9.0% to 15.0%] as well as estimates in respect of operating margins. The compound annual revenue growth rates utilized were: (a) Canaccord Genuity (i) Canada – 10.0%, (ii) UK & Europe – 10.0%, (iii) US – 10.0%, (iv) Other Foreign Locations – 12.7% to 15.0%; and (b) Canaccord Genuity Wealth Management, UK & Europe and UK & Europe (Channel Islands) – 9.0%. Management estimates in respect of year-over-year increases in revenue for the 12-month period ending on December 31, 2015 (the commencement date for the Forecast Period) are in the range of (12.5)% to 15.0% for each CGU. The terminal growth rate used for CGUs located in Canada and the UK & Europe was 3.0% [March 31, 2014, Canada – 3.0%] and for CGUs located in all other locations was 5.0% [March 31, 2014 – 5.0%].

During the quarter ended December 31, 2014, as a result of operating losses and reduced revenue forecasts arising from the change in economic conditions, the Company determined that there had been impairment in the goodwill in respect of Other Foreign Locations (China) and recorded an impairment charge of $4.5 million in respect of the goodwill that had been allocated to this CGU.

Sensitivity testing was conducted as part of the December 31, 2014 interim impairment test of goodwill and indefinite life intangible assets. The sensitivity testing includes assessing the impact that reasonably possible declines in revenue estimates for the 12-month period ending on December 31, 2015 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.

The Company's interim impairment testing has determined that any reasonably possible adverse change in the key assumptions in respect of the CGUs listed below may cause a further impairment loss to be recognized. Reasonably possible declines in the growth rates utilized for the five-year period beginning on January 1, 2016, decreases in the revenue estimates for the 12-month period ending on December 31, 2015, decreases in the annual improvement in operating margins, or increases in the discount rates would cause the estimated recoverable amount to be equal to the carrying value and consequently a further impairment loss to be recognized. The extent of any such impairment loss would be determined after incorporating any consequential effects of that change on estimated operating income and on other factors.

		Change required for carrying value to equal the estimated recoverable amount			
CGU	Excess of the estimated recoverable amount over carrying value	Increase in discount rate (p.p.)	Change in CAGR for the five-year period beginning on January 1, 2016 (p.p.)	Decrease in estimated revenue for the 12-month period ending on December 31, 2015	Decrease in annual improvement in operating margins (p.p.)
Canaccord Genuity – Canada	$ 63,000	1.4	(5.6)	$ 14,000	0.9
Canaccord Genuity – UK & Europe	$ 57,000	2.1	(6.0)	$ 13,000	0.7
Canaccord Genuity – US	$ 19,000	1.4	(5.6)	$ 9,000	0.3
Canaccord Genuity Other Foreign Locations – Australia	$ 13,000	1.9	(5.5)	$ 3,500	0.5
Canaccord Genuity Other Foreign Locations – Singapore	$ 5,000	1.3	(3.8)	$ 1,000	1.2

p.p.: percentage points

NOTE 08 Income Taxes (Recovery)

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

	For the three months ended		For the nine months ended	
	December 31, 2014	December 31, 2013	**December 31, 2014**	December 31, 2013
Income taxes at the statutory rate (F2015: 26.0%; F2014: 26.0%)	**$ (6,635)**	$ 6,349	**$ 5,905**	$ 8,470
Difference in tax rates in foreign jurisdictions	**(761)**	244	**(505)**	304
Non-deductible items affecting the determination of taxable income	**1,262**	886	**2,557**	2,297
Change in accounting and tax base estimate	**36**	169	**347**	734
Tax rate differential	**70**	(274)	**(1,041)**	(1,136)
Tax losses and other temporary differences not recognized (utilization of tax losses previously not recognized)	**1,987**	(1,288)	**446**	(4,229)
Income tax expense (recovery) – current and deferred	**$ (4,041)**	$ 6,086	**$ 7,709**	$ 6,440

NOTE 09 Preferred Shares

	December 31, 2014		March 31, 2014	
	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 16 of the March 31, 2014 consolidated financial statements.

NOTE 10 Common Shares

	December 31, 2014		March 31, 2014	
	Amount	Number of shares	Amount	Number of shares
Issued and fully paid	$ 717,133	101,883,242	$ 713,140	101,471,456
Shares purchased through NCIB for cancellation	(105)	(15,000)	(250)	(45,600)
Unvested share purchase loans	(24,883)	(3,447,655)	(21,275)	(3,576,051)
Held for long-term incentive plan (LTIP)	(75,149)	(7,542,308)	(38,426)	(4,734,446)
	$ 616,996	90,878,279	$ 653,189	93,115,359

[i] AUTHORIZED

Unlimited common shares without par value

[ii] ISSUED AND FULLY PAID

	Number of shares	Amount
Balance, March 31, 2014	101,471,456	$ 713,140
Shares issued in connection with share-based payment plans	1,550,391	11,598
Shares issued in connection with replacement plans	237,439	2,069
Shares cancelled	(1,376,044)	(9,674)
Balance, December 31, 2014	**101,883,242**	**$ 717,133**

On August 5, 2014, 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 5,100,049 of its common shares during the period from August 13, 2014 to August 12, 2015 through the facilities of the TSX and on alternative trading systems in accordance with the requirements of the TSX. The purpose of the purchase of common shares under the NCIB is to enable the Company to acquire shares for cancellation. The maximum number of shares that may be purchased under the current NCIB represents 5.0% of the Company's outstanding common shares at the time of the notice. There were 1,071,749 shares purchased through the NCIB between April 1, 2014 and December 31, 2014. Of these, 1,056,749 shares have been cancelled and the remaining 15,000 shares are being held in treasury to be cancelled.

[iii] (LOSS) EARNINGS PER COMMON SHARE

	For the three months ended		For the nine months ended	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Basic (loss) earnings per common share				
Net (loss) income attributable to CGGI shareholders	$ (21,380)	$ 17,321	$ 13,810	$ 25,679
Preferred shares dividends	(2,960)	(2,921)	(8,879)	(8,802)
Net (loss) income available to common shareholders	(24,340)	14,400	4,931	16,877
Weighted average number of common shares (number)	91,404,245	93,369,398	91,835,900	93,863,278
Basic (loss) earnings per share	$ (0.27)	$ 0.15	$ 0.05	$ 0.18
Diluted (loss) earnings per common share				
Net (loss) income available to common shareholders	(24,340)	14,400	4,931	16,877
Weighted average number of common shares (number)	n/a	93,369,398	91,835,900	93,863,278
Dilutive effect in connection with LTIP (number)	n/a	298,549	5,580,418	5,235,824
Dilutive effect in connection with other share-based payment plans (number)	n/a	8,999,438	3,408,978	4,093,551
Adjusted weighted average number of common shares (number)	n/a	102,667,385	100,825,296	103,192,653
Diluted (loss) earnings per common share	$ (0.27)	$ 0.14	$ 0.05	$ 0.16

NOTE 11 Dividends

COMMON SHARES DIVIDENDS

The Company declared the following common shares dividends during the nine months ended December 31, 2014:

Record date	Payment date	Cash dividend per common share	Total common dividend amount
June 20, 2014	July 2, 2014	$ 0.05	$ 5,093
August 29, 2014	September 10, 2014	$ 0.05	$ 5,106
November 21, 2014	December 10, 2014	$ 0.10	$ 10,252

On February 4, 2015, the Board of Directors approved a quarterly cash dividend of $0.05 per common share payable on March 10, 2015 to common shareholders of record as at February 27, 2015 [Note 16].

PREFERRED SHARES DIVIDENDS

The Company declared the following preferred shares dividends during the nine months ended December 31, 2014:

Record date	Payment date	Cash dividend per Series A Preferred Share	Cash dividend per Series C Preferred Share	Total preferred dividend amount
June 13, 2014	June 30, 2014	$ 0.34375	$ 0.359375	$ 2,998
September 19, 2014	September 30, 2014	$ 0.34375	$ 0.359375	$ 2,998
December 19, 2014	December 31, 2014	$ 0.34375	$ 0.359375	$ 2,998

On February 4, 2015, the Board also approved a cash dividend of $0.34375 per Series A Preferred Share payable on March 31, 2015 to Series A Preferred shareholders of record as at March 20, 2015 [Note 16].

On February 4, 2015, the Board also approved a cash dividend of $0.359375 per Series C Preferred Share payable on March 31, 2015 to Series C Preferred shareholders of record as at March 20, 2015 [Note 16].

NOTE 12 Share-Based Payment Plans

[i] LONG-TERM INCENTIVE PLAN

Under the long-term incentive plan (LTIP), eligible participants are awarded restricted share units (RSUs), which generally vest over three years. For employees in Canada, an employee benefit trust has been established. Prior to June 30, 2014, for employees in the United States and the United Kingdom, at the time of each RSU award, the Company allotted common shares and these shares were issued from treasury to plan participants following vesting of RSUs.

Effective from June 2014, employee benefit trusts have also been established in the United States and the United Kingdom. The Company or certain of its subsidiaries, as the case may be, fund the employee benefit trusts (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. The weighted average fair value of RSUs granted during the period ended December 31, 2014 was $10.77 [December 31, 2013 – $6.09].

	Number
Awards outstanding, March 31, 2014	10,583,243
Grants	5,364,258
Vested	(3,727,956)
Forfeited	(424,864)
Awards outstanding, December 31, 2014	**11,794,681**

	Number
Common shares held by the Trusts, March 31, 2014	4,734,446
Acquired	5,232,986
Released on vesting	(2,425,124)
Common shares held by the Trusts, December 31, 2014	**7,542,308**

[ii] STOCK OPTIONS

The following is a summary of the Company's share options as at December 31, 2014 and changes during the period then ended:

	Number of options	Weighted average exercise price
Balance, March 31, 2014	1,959,632	$ 9.23
Granted	—	—
Exercised	(234,636)	9.47
Forfeited	—	—
Balance, December 31, 2014	**1,724,996**	**$ 9.19**

The following table summarizes the share options outstanding as at December 31, 2014:

	Options outstanding			Options exercisable	
Range of exercise price	Number of common shares	Weighted average remaining contractual life	Weighted average exercise price	Number of options exercisable	Weighted average exercise price
$7.21–$9.48	1,724,996	2.14	$ 9.19	1,724,996	$ 9.19

[iii] SHARE-BASED COMPENSATION EXPENSE

	For the three months ended		For the nine months ended	
	December 31, 2014	December 31, 2013	**December 31, 2014**	December 31, 2013
Long-term incentive plan	**$ 8,667**	$ 5,507	**$ 26,163**	$ 22,897
Forgivable common share purchase loans	**3,826**	4,047	**9,138**	8,160
CSH Inducement Plan	**898**	1,207	**2,858**	4,158
Replacement plans	**51**	802	**39**	2,600
Share options	**27**	132	**242**	607
Deferred share units	**(489)**	40	**(107)**	36
Other	**282**	392	**852**	1,106
Total share-based compensation expense	**$ 13,262**	$ 12,127	**$ 39,185**	$ 39,564

NOTE 13 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 payable and accrued liabilities include the following balances with key management personnel:

	December 31, 2014	March 31, 2014
Accounts payable and accrued liabilities	**$ 1,688**	$ 4,769

NOTE 14 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 the US. Operations located in Other Foreign Locations under Canaccord Genuity (Barbados) Ltd., Canaccord Genuity Asia and the 50% interest in Canaccord Genuity Australia are also included in Canaccord Genuity.

Canaccord Genuity Wealth Management – provides brokerage services and investment advice to retail or institutional clients in Canada, the US, and the UK & 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 & 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 & 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, 2014				December 31, 2013			
	Canaccord Genuity	Canaccord Genuity Wealth Management	Corporate and Other	Total	Canaccord Genuity	Canaccord Genuity Wealth Management	Corporate and Other	Total
Revenues, excluding interest revenue	$ 102,721	$ 55,470	$ 3,235	$ 161,426	$ 169,052	$ 52,390	$ 3,813	$ 225,255
Interest revenue	1,145	2,762	1,138	5,045	2,182	2,347	1,175	5,704
Expenses, excluding undernoted	112,940	47,448	10,510	170,898	133,154	46,254	12,703	192,111
Amortization	3,657	2,467	463	6,587	3,747	2,525	478	6,750
Development costs	4,120	2,177	383	6,680	1,080	2,350	373	3,803
Interest expense	2,755	119	417	3,291	3,189	127	559	3,875
Impairment of goodwill	4,535	—	—	4,535	—	—	—	—
(Loss) income before intersegment allocations and income taxes	(24,141)	6,021	(7,400)	(25,520)	30,064	3,481	(9,125)	24,420
Intersegment allocations	2,697	4,730	(7,427)	—	2,156	6,582	(8,738)	—
(Loss) income before income taxes	$ (26,838)	$ 1,291	$ 27	$ (25,520)	$ 27,908	$ (3,101)	$ (387)	$ 24,420

	For the nine months ended							
	December 31, 2014				December 31, 2013			
	Canaccord Genuity	**Canaccord Genuity Wealth Management**	**Corporate and Other**	**Total**	Canaccord Genuity	Canaccord Genuity Wealth Management	Corporate and Other	Total
Revenues, excluding interest revenue	**$ 448,592**	**$ 174,007**	**$ 8,448**	**$ 631,047**	$ 421,861	$ 151,419	$ 9,575	$ 582,855
Interest revenue	**5,134**	**8,132**	**3,985**	**17,251**	7,270	7,381	3,990	18,641
Expenses, excluding undernoted	**386,741**	**148,020**	**36,509**	**571,270**	348,346	133,929	32,942	515,217
Amortization	**11,618**	**8,509**	**1,307**	**21,434**	10,757	7,216	1,358	19,331
Development costs	**7,845**	**6,523**	**1,072**	**15,440**	7,590	7,533	1,181	16,304
Interest expense	**9,003**	**463**	**1,057**	**10,523**	10,886	389	1,306	12,581
Restructuring costs	**—**	**783**	**1,600**	**2,383**	5,486	—	—	5,486
Impairment of goodwill	**4,535**	**—**	**—**	**4,535**	—	—	—	—
Income (loss) before intersegment allocations and income taxes	**33,984**	**17,841**	**(29,112)**	**22,713**	46,066	9,733	(23,222)	32,577
Intersegment allocations	**8,788**	**16,097**	**(24,885)**	**—**	6,292	18,085	(24,377)	—
Income (loss) before income taxes	**$ 25,196**	**$ 1,744**	**$ (4,227)**	**$ 22,713**	$ 39,774	$ (8,352)	$ 1,155	$ 32,577

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

	For the three months ended		For the nine months ended	
	December 31, 2014	December 31, 2013	**December 31, 2014**	December 31, 2013
Canada	**$ 61,555**	$ 73,701	**$ 260,067**	$ 196,892
UK & Europe	**53,657**	92,725	**207,227**	228,958
United States	**43,770**	48,558	**147,376**	146,316
Other Foreign Locations	**7,489**	15,975	**33,628**	29,330
	$ 166,471	$ 230,959	**$ 648,298**	$ 601,496

NOTE 15 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, 2014:

	Legal provisions	Restructuring provisions	Total provisions
Balance, March 31, 2014	$ 7,412	$ 2,922	$ 10,334
Additions	1,456	2,383	3,839
Utilized	(998)	(2,889)	(3,887)
Balance, June 30, 2014	7,870	2,416	10,286
Additions	1,199	—	1,199
Utilized	(325)	(1,288)	(1,613)
Recoveries	(363)	—	(363)
Balance, September 30, 2014	8,381	1,128	9,509
Additions	480	—	480
Utilized	(4,245)	(275)	(4,520)
Recoveries	(563)	—	(563)
Balance, December 31, 2014	**$ 4,053**	**$ 853**	**$ 4,906**

During the nine months ended December 31, 2014, the Company incurred $2.4 million of restructuring costs in connection with certain executive changes in Canada as well as office closure costs in the UK & Europe.

Commitments, litigation proceedings and contingent liabilities

During the period ended December 31, 2014, there were no material changes to the Company's commitments or contingencies from those described in Notes 24 and 25 of the March 31, 2014 consolidated financial statements except as noted below.

In 2002, two actions were commenced in the Superior Court of Québec against Canaccord Genuity Corp. and other defendants including another investment dealer. Both were class action proceedings in which the plaintiffs made allegations of certain wrongful trading and disclosure practices by the Company and another defendant and that the Company was negligent in respect of a private placement in 2000. These actions were set for trial starting in September 2014, but they have been settled comprehensively by way of court approval (granted on October 27, 2014) of a settlement agreement. The 30-day appeal period expired without any appeal, and the Company has now paid its share of the settlement.

Certain claims have been asserted against the Company in respect of the sale of certain conventional wealth management tax advantaged products in the UK which could be material if the Company's assumptions used to evaluate the matter as neither probable nor estimable change in future periods. In that event, the Company may be required to record a provision for an adverse outcome which could have a material adverse effect on the Company's financial position. The aggregate tax deferral realized by the Company's clients in respect of these products when they were purchased by those clients during the period from 2006 to 2009 is estimated to be $15.0 million. Litigation underway in the UK in respect of the taxation of other similar products sold by other financial advisors (the Litigation) and enforcement in accordance with recent announcements from the UK taxation authority could result in tax liabilities to the purchasers of those products in excess of the initial tax deferral amount. The potential tax liability for the Company's clients that is in excess of the initial tax deferral amount is estimated to be $15.4 million. The probable outcome of the Litigation and the resulting impact on taxation in respect of this matter and the likelihood of a loss to the Company in connection with any claims asserted against the Company, or which may be asserted against the Company, are not determinable at the date of these 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, 2014, 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 16 Subsequent Event

DIVIDENDS

On February 4, 2015, the Board of Directors approved the following cash dividends: a quarterly dividend of $0.05 per common share payable on March 10, 2015 to common shareholders with a record date of February 27, 2015; $0.34375 per Series A Preferred Share payable on March 31, 2015 with a record date of March 20, 2015; and $0.359375 per Series C Preferred Share payable on March 31, 2015 with a record date of March 20, 2015.

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Shareholder Information

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LSE: CF.

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

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The Canaccord Genuity Group Inc. 2014 Annual Report is available on our website at www.canaccordgenuitygroup.com. For a printed copy, please contact the Investor Relations department.

Expected Dividend[1] and Earnings Release Dates for the Next Four Quarters

	Expected earnings release date	Preferred dividend record date	Preferred dividend payment date	Common dividend record date	Common dividend payment date
Q4/15	June 1, 2015	June 19, 2015	June 30, 2015	June 19, 2015	July 2, 2015
Q1/16	August 4, 2015	September 18, 2015	September 30, 2015	August 28, 2015	September 10, 2015
Q2/16	November 4, 2015	December 18, 2015	December 31, 2015	November 20, 2015	December 10, 2015
Q3/16	February 3, 2016	March 18, 2016	March 31, 2016	February 26, 2016	March 10, 2016

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

Shareholder Administration

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

COMPUTERSHARE INVESTOR SERVICES INC.

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

Financial Information

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

Auditor

Ernst & Young LLP
Chartered Accountants
Vancouver, BC

Editorial and Design Services

The Works Design Communications Ltd.