CANACCORD Genuity

THIRD QUARTER

Fiscal 2014 Report to Shareholders

TO US THERE ARE NO FOREIGN MARKETS

Canaccord Genuity Group Inc. Reports Third Quarter Fiscal 2014 Results

Excluding significant items, earned net income of $21.2 million during the quarter[1]

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

TORONTO, February 5, 2014 – In the third quarter of fiscal 2014, the quarter ended December 31, 2013, Canaccord Genuity Group Inc. (Canaccord, the Company, TSX: CF, LSE: CF.) generated $231.0 million in revenue. Excluding significant items[2] (a non-IFRS measure), the Company recorded net income of $21.2 million or net income of $17.0 million available to common shareholders[3] ($0.17 per diluted common share). Including all expense items, on an IFRS basis, the Company recorded net income of $18.3 million or net income available to common shareholders[3] of $14.4 million (earnings per diluted common share of $0.14).

"During our fiscal third quarter, our strong results were driven by the record performance in the UK and Europe, and we were pleased with the record contribution made by our Australian operations," stated Paul Reynolds, President and CEO of Canaccord Genuity Group Inc. "This quarter, 68% of our revenue came from outside of Canada, driven largely by a 75% increase in global underwriting compared to last year."

Third Quarter of Fiscal 2014 vs. Second Quarter of Fiscal 2014

- Revenue of $231.0 million, up 26% or $47.7 million from $183.3 million
- Excluding significant items, expenses of $202.9 million, up 16% or $27.5 million from $175.4 million[2]
- Expenses of $206.5 million, up 12% or $22.2 million from $184.3 million
- Excluding significant items, net income of $21.2 million compared to net income of $6.7 million[2]
- Net income of $18.3 million compared to a net loss of $0.1 million
- Excluding significant items, diluted earnings per common share (EPS) of $0.17 compared to diluted EPS of $0.03 in the second quarter of fiscal 2014[2]
- Diluted EPS of $0.14 compared to a loss per common share of $0.03 in the second quarter of fiscal 2014

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Third Quarter of Fiscal 2014 vs. Third Quarter of Fiscal 2013

- Revenue of $231.0 million, up $1.0 million from $230.0 million
- Excluding significant items, expenses of $202.9 million, down 1% or $2.1 million from $205.0 million[2]
- Expenses of $206.5 million, down 5% or $10.4 million from $216.9 million
- Excluding significant items, net income of $21.2 million compared to net income of $20.5 million[2]
- Net income of $18.3 million compared to net income of $10.3 million
- Excluding significant items, diluted EPS of $0.17 with no change from Q3/13[2]
- Diluted EPS of $0.14 compared to diluted EPS of $0.08

Year-to-Date Fiscal 2014 vs. Year-to-Date Fiscal 2013 (Nine Months Ended December 31, 2013 vs. Nine Months Ended December 31, 2012)

- Revenue of $601.5 million, up 4% or $22.3 million from $579.2 million
- Excluding significant items, expenses of $552.8 million, down 2% or $13.6 million from $566.4 million[2]
- Expenses of $568.9 million, down 7% or $39.9 million from $608.8 million
- Excluding significant items, net income of $39.8 million compared to net income of $10.1 million[2]
- Net income of $26.1 million compared to a net loss of $25.2 million
- Excluding significant items, diluted EPS of $0.29 compared to diluted EPS of $0.02[2]
- Diluted EPS of $0.16 compared to a loss per common share of $0.35

Financial Condition at End of Third Quarter Fiscal 2014 vs. Fourth Quarter Fiscal 2013

- Cash and cash equivalents balance of $357.7 million, down $133.3 million from $491.0 million
- Working capital of $428.9 million, up $35.2 million from $393.7 million
- Total shareholders' equity of $1.12 billion, up $70 million from $1.05 billion
- Book value per diluted common share of $8.43, up $0.75 from $7.68[2]
- On February 5, 2014, the Board of Directors approved a quarterly dividend of $0.05 per common share payable on March 10, 2014 with a record date of February 21, 2014
- On February 5, 2014, the Board of Directors also approved a cash dividend of $0.34375 per Series A Preferred Share payable on March 31, 2014 with a record date of March 14, 2014, and a cash dividend of $0.359375 per Series C Preferred Share payable on March 31, 2014 to Series C Preferred shareholders of record as at March 14, 2014

Summary of Operations

CORPORATE

- On October 1, 2013, the Company changed its name from Canaccord Financial Inc. to Canaccord Genuity Group Inc.
- During the fiscal third quarter, the Company purchased 1,256,792 of its common shares under the terms of its normal course issuer bid (NCIB) to bring the total purchases for the current fiscal year to 3,156,344 common shares as of February 3, 2014 (2,618,288 common shares as of December 31, 2013)
  - 2,547,576 common shares purchased under the NCIB up to the end of Q3/14 have been cancelled, and the remaining 70,712 common shares purchased during Q3/14 will be held in treasury until subsequently cancelled
- Subsequent to the end of the quarter, on January 15, 2014, Canaccord appointed Stuart Raftus as President of Canaccord Genuity Wealth Management in Canada

CAPITAL MARKETS

- Canaccord Genuity led or co-led 45 transactions globally, raising total proceeds of C$3.3 billion[4] during fiscal Q3/14
- Canaccord Genuity participated in 95 transactions globally, raising total proceeds of C$8.1 billion[4] during fiscal Q3/14
- During fiscal Q3/14, Canaccord Genuity led or co-led the following investment banking transactions:
  - US$726.1 million for Abengoa S.A. on the NASDAQ
  - £210.5 million for Quindell PLC on AIM
  - £207.8 million for Arrow Global Group PLC on the LSE
  - £160.0 million for Tungsten Corporation PLC on AIM
  - £125.4 million for Caracal Energy Inc. on the LSE
  - C$175.0 million for Bellatrix Exploration Limited on the TSX
  - US$116.2 million for Lannett Company, Inc. on the NYSE
  - US$115.6 million for Emerald Oil, Inc. on the NYSE
  - US$113.0 million for DP Aircraft I Limited on the Specialist Fund Market of the LSE and CISE
  - £48.8 million for MedicX Fund Limited on the LSE

  - SGD$70.4 million for ValueMax Group Limited on the SGX
  - C$50.0 million for HealthLease Properties REIT on the TSX
  - C$46.1 million for Altus Group Limited on the TSX
  - C$45.0 million for WesternOne Inc. on the TSX
  - US$39.1 million for MiMedx Group, Inc. on the NASDAQ
  - AUD$42.5 million for Tiger Resources Limited on the ASX
  - AUD$42.0 million for Donaco International Limited on the ASX
  - C$40.3 million for American Hotel Income Properties REIT LP on the TSX
  - C$40.3 million for DHX Media Limited on the TSX
  - AUD$37.0 million for iBuy Group Limited on the ASX
  - C$34.5 million for Concordia Healthcare Inc. on the TSX
  - AUD$35.0 million for Syrah Resources Limited on the ASX
  - AUD$30.0 million for Orocobre Limited on the ASX
  - C$23.0 million for Solium Capital Inc. on the TSX
- In Canada, Canaccord Genuity raised $249.1 million for government and corporate bond issuances during fiscal Q3/14
- Canaccord Genuity generated advisory revenues of $39.8 million during fiscal Q3/14, a decrease of 43% compared to the record generated in the same quarter last year
- During fiscal Q3/14, Canaccord Genuity advised on the following M&A and advisory transactions:
  - Canada Goose Inc. on its sale of a majority stake to Bain Capital
  - Ontario Teachers' Pension Plan on its acquisition of Burton's Holdings Limited(5)
  - Dr. Jean-Claude Marian on the sale of a 15% stake in Orpéa to the Canada Pension Plan Investment Board
  - William Investments Limited on the disposal of Norland Managed Services Limited to CBRE Group, Inc.
  - Colfax Corporation on the acquisition of the Global Infrastructure and Industry business of FläktWoods Group
  - Ontario Teachers' Pension Plan Board on its acquisition of Busy Bees Holdings Limited(5)
  - Hartawan Holdings Limited on its reverse takeover of Wilton Resources Corporation Limited
  - Afferro Mining Inc. on its disposal to International Mining and Infrastructure Corporation PLC
  - Vitruvian Partners LLP on its acquisition of Royal London 360° Insurance Company Limited
  - Cubic Corporation on its acquisition of Serco's Transportation Solutions business
  - Chesnara PLC on the acquisition of Direct Line Life Insurance Company Limited from Direct Line Insurance Group PLC
  - Qualium Investissement and MML Capital Partners on the disposal of Carré Blanc & Cie to Nixen Partners
  - Safran Group on its joint venture with Albany International Corporation
  - Essar Steel Algoma Inc. on secured loan financing
  - Pacific Rim Mining Corporation on its sale of OceanaGold Corporation
  - Bregal Partners (AquaTerra Water Management, L.P.) on its acquisition of Four Winds Energy Services Limited
  - Duke Street LLP on its strategic partnership with Tikehau Group

CANACCORD GENUITY WEALTH MANAGEMENT (GLOBAL)

- Globally, Canaccord Genuity Wealth Management generated $56.2 million in revenue in Q3/14
- Assets under administration in Canada and assets under management in the UK and Europe and Australia were $29.0 billion at the end of Q3/14(2)

CANACCORD GENUITY WEALTH MANAGEMENT (NORTH AMERICA)

- Canaccord Genuity Wealth Management (North America) generated $27.7 million in revenue and, after intersegment allocations, recorded a net loss of $4.7 million before taxes in Q3/14
- Assets under administration in Canada were $9.5 billion as at December 31, 2013, up 1% from $9.4 billion at the end of the previous quarter and down 17% from $11.4 billion at the end of fiscal Q3/13(2)
- Assets under management in Canada (discretionary) were $1.1 billion as at December 31, 2013, up 14% from $935 million at the end of the previous quarter and up 35% from $791 million at the end of fiscal Q3/13(2)
- As at December 31, 2013, Canaccord Genuity Wealth Management had 163 Advisory Teams(6), a decrease of 21 Advisory Teams from December 31, 2012 and no change from September 30, 2013

CANACCORD GENUITY WEALTH MANAGEMENT (UK AND EUROPE)

- Wealth management operations in the UK and Europe generated $27.0 million in revenue and, after intersegment allocations, and excluding significant items, recorded net income of $3.5 million before taxes in Q3/14(2)
- Assets under management (discretionary and non-discretionary) were $19.0 billion (£10.8 billion)(2)

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

NON-IFRS MEASURES

The non-International Financial Reporting Standards (IFRS) measures presented include assets under administration, assets under management, book value per diluted common share and figures that exclude significant items. Significant items include restructuring costs, amortization of intangible assets, 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 Canaccord's business and facilitate meaningful comparison of results in the current period to those in prior periods and future periods. Figures that exclude significant items provide useful information by excluding certain items that may not be indicative of Canaccord's core operating results. A limitation of utilizing these figures that exclude significant items is that the IFRS accounting effects of these items do in fact reflect the underlying financial results of Canaccord's business; thus, these effects should not be ignored in evaluating and analyzing Canaccord's financial results. Therefore, management believes that Canaccord's IFRS measures of financial performance and the respective non-IFRS measures should be considered together.

SELECTED FINANCIAL INFORMATION EXCLUDING SIGNIFICANT ITEMS(1)

(C$ thousands, except per share and % amounts)	Three months ended December 31 2013	Three months ended December 31 2012	Quarter-over-quarter change	Nine months ended December 31 2013	Nine months ended December 31 2012	YTD-over-YTD change
Total revenue per IFRS	$ **230,959**	$ 230,003	0.4%	$ **601,496**	$ 579,151	3.9%
Total expenses per IFRS	**206,539**	216,882	(4.8)%	**568,919**	608,840	(6.6)%
Significant items recorded in Canaccord Genuity						
Restructuring costs	**—**	5,276	(100.0)%	**5,486**	9,671	(43.3)%
Acquisition-related costs	**—**	—	—	**—**	388	(100.0)%
Amortization of intangible assets	**1,680**	3,473	(51.6)%	**5,040**	11,282	(55.3)%
Significant items recorded in Canaccord Genuity Wealth Management						
Restructuring costs	**—**	1,034	(100.0)%	**—**	14,601	(100.0)%
Acquisition-related costs	**—**	431	(100.0)%	**—**	1,331	(100.0)%
Amortization of intangible assets	**1,945**	1,643	18.4%	**5,585**	4,255	31.3%
Significant items recorded in Corporate and Other						
Restructuring costs	**—**	—	—	**—**	900	(100.0)%
Total significant items	**3,625**	11,857	(69.4)%	**16,111**	42,428	(62.0)%
Total expenses excluding significant items	**202,914**	205,025	(1.0)%	**552,808**	566,412	(2.4)%
Net income before taxes – adjusted	$ **28,045**	$ 24,978	12.3%	$ **48,688**	$ 12,739	282.2%
Income taxes – adjusted	**6,818**	4,525	50.7%	**8,917**	2,674	233.5%
Net income – adjusted	$ **21,227**	$ 20,453	3.8%	$ **39,771**	$ 10,065	295.1%
Earnings per common share – basic, adjusted	$ **0.18**	$ 0.19	(5.3)%	$ **0.32**	$ 0.02	n.m.
Earnings per common share – diluted, adjusted	$ **0.17**	$ 0.17	—	$ **0.29**	$ 0.02	n.m.

n.m.: not meaningful

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

Fellow Shareholders:

Two years ago, we made a strategic decision to acquire Collins Stewart Hawkpoint to transform our business and substantially bolster our relevance in key markets, take advantage of a distressed European market and leverage the historical strength of the Canadian dollar. Today, we are clearly seeing the benefits of this strategic decision, which has allowed us to emerge as an important player in the resurgent UK and US markets. The results of our fiscal third quarter demonstrate the strength of our global business and the success of our efforts to diversify our revenue streams. Importantly, 68% of revenue was earned outside of Canada and we are in an excellent position to continue providing clients with international perspectives from all of the markets that we operate in.

This quarter featured the record performance of our UK-based businesses, achieved by both our wealth management and capital markets divisions. Our UK and European practice has once again showcased its pivotal role in our global franchise and the exceptional quality of service we provide our institutional, corporate and private clients in this very important market.

For the three months ended December 31, 2013, Canaccord Genuity generated $231 million of revenue, a 26% increase compared to the previous quarter and a slight uptick from the strong performance reported a year ago. Through our continued focus on controlling our operating leverage, we lowered our expenses by 5% compared to the same quarter last year, during which similar revenue levels were achieved. Excluding significant items(1), the Company recorded net income of $21.2 million or net income of $17.0 million available to common shareholders(2), earning $0.17 per diluted common share. On an IFRS basis, the Company recorded net income of $18.3 million or $14.4 million available to common shareholders(2), earning $0.14 per diluted common share.

Our balance sheet metrics indicate our ongoing commitment to a diligent capital strategy, and at the end of the third quarter, Canaccord Genuity had $428.9 million in working capital, $357.7 million in cash and cash equivalents and $1.1 billion in shareholders' equity. During the quarter, the Company purchased for cancellation 1,256,792 common shares, and throughout our fiscal year to date(3), we have purchased 3,156,344 common shares for cancellation under our normal course issuer bid/buy-back programme. Finally, I'm pleased to confirm that our Board of Directors has approved a dividend of $0.05 this quarter.

Record Performance by UK-based Capital Markets Business

Canaccord Genuity's global capital markets division generated $171.2 million in revenue, a solid increase of 35% compared to the previous quarter and a 3% increase compared to the same quarter last year. Globally, we led or co-led 45 transactions, raising total proceeds of $3.3 billion on behalf of our clients. As a result, we increased global underwriting revenue by 80% compared to the previous quarter and by 95% compared to the same period last year, a clear indicator of the successful investment banking enterprise that we have developed across our global platform.

In the UK and Europe, we generated $65.7 million in revenue for the quarter, a 53% increase from the previous quarter, and a record result for this group that was driven largely by the success of our advisory and equity transaction leadership in this market. Compared to the previous quarter, investment banking revenue increased by 119%, while advisory revenue increased by 66%, highlighting the exceptional service levels we provide our clients in this geography. We are consistently showcasing the leading role we play in the UK mid-market space.

In Canada, the market began to show early signs of a recovery and our Canadian capital markets practice returned to profitability during the quarter. We generated $41.3 million in revenue, a 32% increase compared to the previous quarter, while increasing expenses by only 1%. Excluding significant items(1), this group earned net income before tax of $6.0 million.

We continue to be pleased with the performance of our US team, who successfully increased revenue during the quarter by 10% to $48.3 million compared to the previous quarter, and by 28% compared to the same period last year. This division has maintained a strong momentum of capturing more lead mandates and broadening our sector coverage to serve a growing client base in this geography. In addition, we made a decision to grow our fixed income capabilities in the US that resulted in a $2 million impact on our earnings this quarter. We anticipate a similar impact next quarter, with the expectation that this group will run on a break-even basis in the next fiscal year.

Canaccord Genuity's other international operations delivered record metrics to our global business for the three months ended December 31, 2013, driven primarily by the performance of our partners in Australia and Singapore. This group generated $16.0 million in revenue, an 88% increase compared to the results recorded in the previous quarter, and earned net income before tax and excluding significant items(1) of $4.6 million.

(1) A non-IFRS measure. See Non-IFRS measures on page 8.
(2) Net income available to common shareholders is calculated as net income adjusted for non-controlling interests and preferred share dividends.
(3) As of February 3, 2014.

Wealth Management

Globally, Canaccord Genuity Wealth Management generated $54.7 million in revenue during the quarter, the division's largest revenue contribution during this fiscal year, and increased client assets on a global basis to $29.0 billion.

Our UK-based wealth management division achieved record revenue since joining our platform of $27.0 million and further increased assets under management to $19.0 billion – a 45% increase in client assets since we acquired this business in March 2012. This division continues to be a key differentiator of our global franchise, through the broad range of solutions and exceptional service levels provided by our high-calibre team of investment professionals.

Wealth management revenue generated in North America increased to $27.7 million and discretionary assets under management rose to $1.1 billion, a 35% increase compared to the same period last year. Looking ahead, our priorities for this division will centre on enhancing our margins, managing our costs, and growing the business through targeted recruitment and training. In addition, we will be launching Global Portfolio Solutions (GPS) in the spring, a proprietary asset management product that will build out the investment solutions we offer our clients. These initiatives will be overseen by Stuart Raftus, the new President of our Canadian wealth management business, who we welcomed to Canaccord Genuity on January 15, 2014. Stuart brings over 28 years of industry experience to the firm and is very well suited to lead this division.

Looking Forward

The decisions we've made to dramatically alter the revenue composition of our business were pursued over the past several years in order to provide our clients with differentiated global services and our shareholders with significantly diversified revenue streams. Our fiscal third quarter showcased the earnings power of our global business and the important progress we've made in becoming a fully integrated, collaborative global franchise. Our teams are working more effectively together than ever before and are very optimistic about our near-term prospects of success. I share in this enthusiasm as we look to further enhance the global alignment of our product offering and distribution, and continue to increase our relevance to clients.

Kind regards,

PAUL D. REYNOLDS
President & CEO

Management's Discussion and Analysis

Third quarter fiscal 2014 for the three months and nine months ended December 31, 2013 – this document is dated February 5, 2014.

The following discussion of the financial condition and results of operations for Canaccord Genuity Group Inc. (Canaccord or the Company, formerly Canaccord Financial Inc.) is provided to enable the reader to assess material changes in our financial condition and to assess results for the three- and nine-month periods ended December 31, 2013 compared to the corresponding periods in the preceding fiscal year. The three- and nine-month periods ended December 31, 2013 are also referred to as third quarter 2014 and Q3/14. 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, 2013, beginning on page 31 of this report; our Annual Information Form (AIF) dated June 18, 2013; and the 2013 annual Management's Discussion and Analysis (MD&A) including the audited consolidated financial statements for the fiscal year ended March 31, 2013 (Audited Annual Consolidated Financial Statements) in Canaccord's annual report dated May 21, 2013 (the 2013 Annual Report). There has been no material change to the information contained in the annual MD&A for fiscal 2013 except as disclosed in this MD&A. Canaccord's financial information is expressed in Canadian dollars unless otherwise specified.

Cautionary Statement Regarding Forward-looking Information

This document may contain "forward-looking statements" (as defined under applicable securities laws). These statements relate to future events or future performance and reflect management's expectations, beliefs, plans, estimates, intentions and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts, including business and economic conditions and Canaccord's growth, results of operations, performance and business prospects and opportunities. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue", "target", "intend", "could" or the negative of these terms or other comparable terminology. By their very nature, forward-looking statements 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 the 2013 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 2014 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 the 2013 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 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, 2013 (Third Quarter 2014 Financial Statements) prepared in accordance with International Financial Reporting Standards (IFRS). The Third Quarter 2014 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, 2013, except for new standards adopted as directed in Note 3 of the Third Quarter 2014 Financial Statements.

NON-IFRS MEASURES

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

Canaccord's capital is represented by common 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, commencing in Q1/14, 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 and Europe are the market value of client assets managed and administered by Canaccord from which Canaccord 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. Canaccord's method of calculating AUA – Canada, AUM – Canada, AUM – Australia and AUM – UK and Europe may differ from the methods used by other companies and therefore may not be comparable to other companies. Management uses these measures to assess operational performance of the Canaccord Genuity Wealth Management business segment. AUM – Canada is also administered by Canaccord and is included in AUA – Canada.

Financial statement items that exclude significant items are non-IFRS measures. Significant items for these purposes are defined as restructuring costs, amortization of intangible assets, and acquisition-related expense items, which include costs recognized in relation to both prospective and completed acquisitions. See the Selected Financial Information Excluding Significant Items table on page 12.

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

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, Canaccord has been driven by an unwavering commitment to building lasting client relationships. We achieve this by generating value for our individual, institutional and corporate clients through comprehensive investment solutions, brokerage services and investment banking services. Canaccord has offices in 11 countries worldwide, including wealth management offices located in Canada, Australia, the UK and Europe. Canaccord Genuity, the Company's international capital markets division, operates in Canada, the US, the UK, France, Germany, Ireland, Hong Kong, mainland 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

Fiscal Q3/14 began with the US government shutdown that ended in December when Congress approved a measure to provide temporary funding along with an extension of the US debt ceiling. Most importantly, the US Federal Reserve began a modest cutback in its asset-purchasing program (Quantitative Easing), citing strengthening growth momentum. Despite this, a shrinking labour force and mounting disinflationary pressures led the Federal Reserve to reiterate its preference to keep interest rates low until rising inflation expectations warrant a tighter stance. In Europe, very weak inflation also concerned monetary authorities, given the fragility of the euro-zone economy and a subdued transmission of the monetary policy by the European Central Bank. The unemployment rate remains high in Europe and necessary balance sheet adjustments continue to weigh on the economy. As such, despite abundant liquidity conditions, very weak credit to households and non-financial corporations remains a concern. Nevertheless, most leading economic indicators continue to signal improved growth prospects for G7 countries and a positive turnaround in emerging economies later this calendar year.

During the quarter, the performance of equity markets was very strong, with the MSCI World equity index returning 8%. In the US, the S&P 500 rose by 9.9%, fuelled by a steady improvement in economic activity and passive comments by the Federal Reserve. In Canada, the S&P/TSX advanced by 6.5%, which benefited from the strong showing of Canadian financials along with easing concerns regarding the housing market in the minds of global investors. Also, the Bank of Canada dropped its tightening bias, which was a net positive for interest-sensitive sectors. Importantly, resources did not negatively impact performance, as expectations of global growth reacceleration, coupled with the Canadian dollar depreciation – which fell 3% from the previous quarter – pushed investors toward more cyclical issues. Also of note, the S&P/TSX Venture index, which is highly commodity-price sensitive, declined by only 1% despite oil and gold prices falling by 4.1% and 9.2%. The rebound in industrial commodities such as zinc, steel and natural gas, which rose by 9.4%, 18.4% and 24.4%, respectively, helped to stabilize some junior resource stocks. Trading volumes in our core markets were down compared to the same period last year, resulting in lower market-trading activity overall, although trading volumes were up slightly compared to the previous quarter. Currently, the strengthening of equity markets is occurring predominantly outside of Canada.

Looking forward, we believe the global economy will continue to gain momentum as the synchronization among G7 and emerging market countries improves. Consumers' fundamentals remain strong, owing to much improved financial conditions and brighter job creation prospects. Also, reduced political risk should encourage corporations to spend their available cash on productive equipment and lay the foundations for a prolonged capital spending cycle. Otherwise, abundant global liquidity and strengthening economies should encourage further risk-taking in equities and commodities, as expected returns on other asset classes remain uncompetitive. In all, better visibility and stronger global growth prospects should continue to support capital markets activities globally.

MARKET DATA

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

TOTAL FINANCING VALUE BY EXCHANGE

	October 2013	November 2013	December 2013	Fiscal Q3/14	Change from fiscal Q3/13	Change from fiscal Q2/14
TSX and TSX Venture (C$ billions)	4.3	6.4	3.4	14.1	(4.7)%	58.4%
AIM (£ billions)	0.4	0.6	0.7	1.7	88.9%	142.9%
NASDAQ (US$ billions)	6.7	5.8	8.9	21.4	105.8%	32.9%

Source: TSX Statistics, LSE AIM Statistics, Equidesk

ABOUT CANACCORD'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 Canaccord's institutional, corporate and private clients. Canaccord's administrative segment is referred to as Corporate and Other.

Canaccord Genuity

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

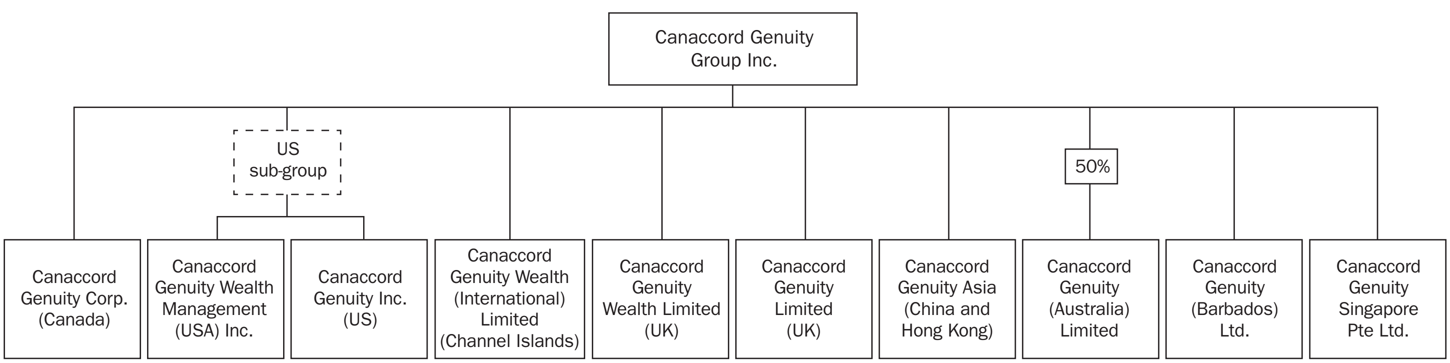
Canaccord Genuity Wealth Management

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

Corporate and Other

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

Corporate structure



Consolidated Operating Results

THIRD QUARTER AND YEAR-TO-DATE FISCAL 2014 SUMMARY DATA[(1)(2)]

(C$ thousands, except per share and % amounts, and number of employees)	Three months ended December 31 2013	2012	2011	QTD Q3/14 vs. Q3/13	Nine months ended December 31 2013	2012	2011	YTD FY 2014 vs. FY 2013
Canaccord Genuity Group Inc. (CGGI)								
Revenue								
Commissions and fees	$ **87,581**	$ 89,415	$ 57,380	(2.1)%	$ **259,448**	$ 265,687	$ 178,707	(2.3)%
Investment banking	**70,841**	40,609	32,015	74.4%	**142,957**	107,231	121,672	33.3%
Advisory fees	**39,758**	69,348	38,541	(42.7)%	**105,557**	123,545	82,736	(14.6)%
Principal trading	**21,863**	18,670	3,304	17.1%	**60,286**	43,626	3,878	38.2%
Interest	**5,704**	7,291	8,147	(21.8)%	**18,641**	22,441	23,594	(16.9)%
Other	**5,212**	4,670	8,502	11.6%	**14,607**	16,621	16,585	(12.1)%
Total revenue	**230,959**	230,003	147,889	0.4%	**601,496**	579,151	427,172	3.9%
Expenses								
Incentive compensation	**114,877**	114,137	69,815	0.6%	**288,713**	293,427	209,267	(1.6)%
Salaries and benefits	**21,350**	21,082	15,009	1.3%	**65,966**	65,697	46,289	0.4%
Other overhead expenses[(3)]	**70,312**	74,922	49,006	(6.2)%	**208,754**	222,825	145,748	(6.3)%
Restructuring costs	**—**	6,310	6,292	(100.0)%	**5,486**	25,172	6,292	(78.2)%
Acquisition-related costs	**—**	431	2,700	(100.0)%	**—**	1,719	5,656	(100.0)%
Total expenses	**206,539**	216,882	142,822	(4.8)%	**568,919**	608,840	413,252	(6.6)%
Income (loss) before income taxes	**24,420**	13,121	5,067	86.1%	**32,577**	(29,689)	13,920	209.7%
Net income (loss)	$ **18,334**	$ 10,264	$ 2,531	78.6%	$ **26,137**	$ (25,199)	$ 10,448	203.7%
Net income (loss) attributable to:								
CGGI shareholders	$ **17,321**	$ 10,880	$ 3,026	59.2%	$ **25,679**	$ (23,649)	$ 10,943	208.6%
Non-controlling interests	$ **1,013**	$ (616)	$ (495)	264.4%	$ **458**	$ (1,550)	$ (495)	129.5%
Earnings (loss) per common share – diluted	$ **0.14**	$ 0.08	$ 0.01	75.0%	$ **0.16**	$ (0.35)	$ 0.09	145.7%
Return on common equity[(4)]	**6.4%**	3.7%	0.6%	2.7 p.p.	**2.5%**	(5.0)%	1.3%	7.5 p.p.
Dividends per common share	$ **0.05**	$ 0.05	$ 0.10	—	$ **0.15**	$ 0.15	$ 0.30	—
Book value per diluted common share[(5)]	$ **8.43**	$ 7.62	$ 8.54	10.6%				
Total assets	$ **4,122,920**	$4,977,201	$4,439,877	(17.2)%				
Total liabilities	$ **2,991,414**	$3,910,105	$3,569,364	(23.5)%				
Non-controlling interests	$ **12,110**	$ 15,913	$ 18,218	(23.9)%				
Total shareholders' equity	$ **1,119,396**	$1,051,183	$ 852,295	6.5%				
Number of employees	**1,994**	2,129	1,735	(6.3)%				
Excluding significant items[(6)]								
Total expenses	$ **202,914**	$ 205,025	$ 132,063	(1.0)%	$ **552,808**	$ 566,412	$ 397,677	(2.4)%
Income before income taxes	**28,045**	24,978	15,826	12.3%	**48,688**	12,739	29,495	282.2%
Net income	**21,227**	20,453	10,644	3.8%	**39,771**	10,065	23,104	295.1%
Net income attributable to CGGI shareholders	**19,968**	20,746	10,825	(3.8)%	**38,574**	10,550	23,285	265.6%
Earnings per common share – diluted	**0.17**	0.17	0.11	—	**0.29**	0.02	0.23	n.m.

(1) Data is in accordance with IFRS except for ROE, book value per diluted common share, number of employees, and figures that exclude significant items. See Non-IFRS Measures on page 8.
(2) Since the closing date of November 1, 2011, the operating results of the Australian operations have been included on a fully consolidated basis and a 50% non-controlling interest has been recognized. Results of former Collins Stewart Hawkpoint plc (CSHP) entities since March 22, 2012 and 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 and development costs.
(4) ROE is presented on an annualized basis. ROE for each period is calculated by dividing the annualized net income (loss) available to common shareholders for the period over the average common shareholders' equity for the period.
(5) Book value per diluted common share is calculated as total common shareholders' equity divided by the number of diluted common shares outstanding and, commencing in Q1/14, adjusted for shares purchased under the normal course issuer bid and not yet cancelled, and estimated forfeitures in respect of unvested share awards under share-based payment plans.
(6) Net income, net income attributable to CGGI shareholders, and earnings per diluted common share excluding significant items reflect tax-effected adjustments related to such items. See the Selected Financial Information Excluding Significant Items table on page 12.
p.p.: percentage points
n.m.: not meaningful

SELECTED FINANCIAL INFORMATION EXCLUDING SIGNIFICANT ITEMS(1)

(C$ thousands, except per share and % amounts)	Three months ended December 31 2013	Three months ended December 31 2012	Quarter-over-quarter change	Nine months ended December 31 2013	Nine months ended December 31 2012	YTD-over-YTD change
Total revenue per IFRS	$ 230,959	$ 230,003	0.4%	$ 601,496	$ 579,151	3.9%
Total expenses per IFRS	206,539	216,882	(4.8)%	568,919	608,840	(6.6)%
Significant items recorded in Canaccord Genuity						
Restructuring costs	—	5,276	(100.0)%	5,486	9,671	(43.3)%
Acquisition-related costs	—	—	—	—	388	(100.0)%
Amortization of intangible assets	1,680	3,473	(51.6)%	5,040	11,282	(55.3)%
Significant items recorded in Canaccord Genuity Wealth Management						
Restructuring costs	—	1,034	(100.0)%	—	14,601	(100.0)%
Acquisition-related costs	—	431	(100.0)%	—	1,331	(100.0)%
Amortization of intangible assets	1,945	1,643	18.4%	5,585	4,255	31.3%
Significant items recorded in Corporate and Other						
Restructuring costs	—	—	—	—	900	(100.0)%
Total significant items	3,625	11,857	(69.4)%	16,111	42,428	(62.0)%
Total expenses excluding significant items	202,914	205,025	(1.0)%	552,808	566,412	(2.4)%
Net income before taxes – adjusted	$ 28,045	$ 24,978	12.3%	$ 48,688	$ 12,739	282.2%
Income taxes – adjusted	6,818	4,525	50.7%	8,917	2,674	233.5%
Net income – adjusted	$ 21,227	$ 20,453	3.8%	$ 39,771	$ 10,065	295.1%
Earnings per common share – basic, adjusted	$ 0.18	$ 0.19	(5.3)%	$ 0.32	$ 0.02	n.m.
Earnings per common share – diluted, adjusted	$ 0.17	$ 0.17	—	$ 0.29	$ 0.02	n.m.

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

Revenue

Third quarter 2014 vs. third quarter 2013

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, 2013 was $231.0 million, a slight increase of 0.4% or $1.0 million compared to the same period a year ago.

Revenue generated from commissions and fees decreased by $1.8 million, to $87.6 million, compared to the same period a year ago. Commissions and fees revenue earned in Canada declined by $5.9 million as a result of reduced trading volumes. The decrease in Canada was partially offset by increases of $0.9 million and $2.3 million in the UK and Europe and the US, respectively.

Investment banking revenue increased across all geographies and was up $30.2 million or 74.4% from the same period a year ago, to $70.8 million in Q3/14. The growth in investment banking revenue was most notable in the UK and Europe and in the US, with increases of $10.4 million and $8.9 million from Q3/13, respectively, due to increased financing activity in these regions. The Company's operations in the Other Foreign Locations geographic region, which includes operations in Australia, Singapore, mainland China, Hong Kong and Barbados, also contributed $6.6 million to the increase in investment banking revenue, primarily due to the growth in the Australian and Singaporean operations.

Advisory fee revenue was $39.8 million, a decline of $29.6 million or 42.7% from the record quarter a year ago. The decrease in advisory fees was driven by the lower advisory fee revenue in Canada, which decreased by $38.6 million compared to Q3/13, which was a record high for the Canadian operations as a result of two substantial mandates that were completed during Q3/13. Offsetting the decrease in Canada was an $11.1 million increase in our advisory fee revenue from our UK and Europe operations. The UK and Europe operations generated $28.1 million of advisory fees in Q3/14, which represents a record quarter for the operation.

Principal trading revenue was $21.9 million, up $3.2 million compared to $18.7 million in Q3/13. The main sources of the increase in principal trading revenue were a $1.9 million increase in the US and a $0.9 million increase in the UK and Europe. The growth in the principal trading revenue in our US operations was due to the strong performance of our International Equities Group in the US. The increase in principal trading revenue in our UK and Europe operations was mainly as a result of strength in the investment company trust market during this period.

Our Canadian capital markets and North American wealth management operations contributed to the $1.6 million decrease in interest revenue. Other revenue was $5.2 million, an increase of $0.5 million from the same period a year ago, mostly as a result of higher foreign exchange gains, offset by a decrease in our correspondent brokerage services operations revenue due to a decrease in business volume.

With increased activity and improved market conditions in the US and the UK and Europe, these geographies experienced increased revenue compared to Q3/13. The decrease in Canada reflects the recognition in Q3/13 of two substantial and high-profile advisory mandates.

Year-to-date fiscal 2014 vs. year-to-date fiscal 2013

Revenue for the nine months ended December 31, 2013 was $601.5 million, an increase of 3.9% or $22.3 million compared to the same period a year ago, mainly due to a $35.7 million increase in investment banking revenue and a $16.7 million increase in principal trading revenue.

Commissions and fees revenue was $259.4 million, representing a decrease of 2.3% compared to the nine months ended December 31, 2012. Revenue generated from investment banking activities was up 33.3%, to $143.0 million, mainly due to increases of $25.1 million and $11.7 million in the US and the UK and Europe, respectively, arising from higher activity in certain key focus sectors.

Advisory fees of $105.6 million represented a decrease of 14.6%, or $18.0 million, compared to the same period in the prior year. This decrease was primarily due to lower activity in our capital markets operations in Canada, which contributed $35.7 million to this decrease, which was partially offset by an increase of $21.2 million in the UK and Europe.

Revenue derived from principal trading was $60.3 million, an increase of $16.7 million compared to the same period last year, primarily due to the strong performance of our International Equities Group in the US.

Interest revenue decreased by $3.8 million, mostly as a result of reductions in our North American wealth management operations. Other revenue decreased by $2.0 million to $14.6 million during the nine months ended December 31, 2013 as a result of decreased client margin activity and decreased revenue from the correspondent brokerage services operations, offset by higher foreign exchange gains.

GEOGRAPHIC DISTRIBUTION OF REVENUE FOR THE THIRD QUARTER 2014(1)

	Three months ended December 31			Nine months ended December 31		
(C$ thousands, except % amounts)	**2013**	2012	Quarter-over-quarter change	**2013**	2012	YTD-over-YTD change
Canada	**$ 73,701**	$ 115,470	(36.2)%	**$ 196,892**	$ 272,839	(27.8)%
UK and Europe	**92,725**	69,040	34.3%	**228,958**	177,553	29.0%
US	**48,558**	38,195	27.1%	**146,316**	109,897	33.1%
Other Foreign Locations(2)	**15,975**	7,298	118.9%	**29,330**	18,862	55.5%
Total	**$ 230,959**	$ 230,003	0.4%	**$ 601,496**	$ 579,151	3.9%

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

Third quarter 2014 vs. third quarter 2013

Revenue in Canada decreased by $41.8 million to $73.7 million in Q3/14 due to lower revenue earned in both our capital markets and wealth management segments. Our operations in Canada experienced lower revenue, mainly due to lower advisory fees of $38.8 million, which, as discussed above, were due to two substantial advisory mandates that were completed in Canada during Q3/13. In addition, revenue decreased in the wealth management segment as a result of reduced trading volumes and investment banking activity in the third quarter of fiscal 2014. Revenue derived from the Corporate and Other segment remained relatively consistent from Q3/13 with a slight increase of $0.4 million due to higher foreign exchange gains, offset by lower revenue generated by our correspondent brokerage services operations.

Our UK and Europe operations generated revenue of $92.7 million in Q3/14, an increase of $23.7 million compared to Q3/13. The capital markets business in the UK and Europe continued to outperform as advisory fees increased by $11.1 million, investment banking revenue increased by $10.5 million, and principal trading revenue increased by $0.9 million. Strong performances from the UK team have led to these record results in the UK and Europe, as this jurisdiction continues to maintain market leadership in IPO transactions in this geography. Operating results from the wealth management operations in the UK and Europe also continued to strengthen as revenue increased by 9.0% compared to Q3/13, mainly as a result of the momentum gained through synergies achieved in connection with the acquisition of Eden Financial Ltd.

Revenue in the US was $48.6 million in Q3/14, an increase of $10.4 million, or 27.1%, compared to Q3/13. The increase was mostly due to growth in investment banking activity and continued strength in our institutional and principal trading activities.

Revenue generated in the Other Foreign Locations geographic region was up $8.7 million from Q3/13 as investment banking revenue in the region increased by $6.6 million, primarily due to improved performance in our Australian and Singaporean operations.

Year-to-date fiscal 2014 vs. year-to-date fiscal 2013

On a year-to-date basis, revenue has increased in our foreign operations. Our US and UK and Europe operations increased revenue by 33.1% and 29.0%, respectively, primarily as a result of improved market conditions and increased activity by corporate issuers in our focus sectors. Revenue in the Other Foreign Locations geographic operations also experienced a 55.5% growth compared to the same period of the prior year. The increases in revenue in these geographic segments were offset by a decrease in revenue in Canada, mainly due to a decrease in advisory revenue, as discussed above, compared to the same period last year.

Expenses

Expenses for the three months ended December 31, 2013 were $206.5 million, a decrease of 4.8% or $10.3 million from the same period a year ago.

EXPENSES AS A PERCENTAGE OF REVENUE

	Three months ended December 31			Nine months ended December 31		
(in percentage points)	**2013**	2012	Quarter-over-quarter change	**2013**	2012	YTD-over-YTD change
Incentive compensation	**49.7%**	49.6%	0.1 p.p.	**48.0%**	50.7%	(2.7) p.p.
Salaries and benefits	**9.3%**	9.2%	0.1 p.p.	**11.0%**	11.3%	(0.3) p.p.
Other overhead expenses(1)	**30.4%**	32.6%	(2.2) p.p.	**34.7%**	38.5%	(3.8) p.p.
Restructuring costs	**—**	2.7%	(2.7) p.p.	**0.9%**	4.3%	(3.4) p.p.
Acquisition-related costs	**—**	0.2%	(0.2) p.p.	**—**	0.3%	(0.3) p.p.
Total	**89.4%**	94.3%	(4.9) p.p.	**94.6%**	105.1%	(10.5) 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 2014 vs. third quarter 2013

The 0.6% increase in incentive compensation expense is consistent with the increase in incentive-based revenue from the same quarter last year. Incentive compensation expense as a percentage of revenue was 49.7%, little changed from 49.6% in the third quarter of fiscal 2013. Salaries and benefits expense increased slightly as well at $21.4 million in Q3/14 compared to $21.1 million in Q3/13.

Total compensation expense (incentive compensation plus salaries and benefits) as a percentage of revenue for Q3/14 was 59.0%, up 0.2 percentage points from 58.8% in Q3/13.

Year-to-date fiscal 2014 vs. year-to-date fiscal 2013

Incentive compensation expense was $288.7 million for the nine months ended December 31, 2013, a decrease of 1.6% from the same period in the prior year. Incentive compensation as a percentage of total revenue was 48.0%, a decrease of 2.7 percentage points reflecting the Company's continuing efforts to monitor its compensation structure and payout ratios.

Salaries and benefits expense of $66.0 million for the nine months ended December 31, 2013 was $0.3 million or 0.4% higher than in the same period a year ago. Total compensation expense (incentive compensation plus salaries and benefits) as a percentage of consolidated revenue was 59.0%, a decrease of 3.0 percentage points from 62.0% in the same period a year ago.

OTHER OVERHEAD EXPENSES

(C$ thousands, except % amounts)	Three months ended December 31 2013	2012	Quarter-over-quarter change	Nine months ended December 31 2013	2012	YTD-over-YTD change
Trading costs	$ 11,370	$ 10,419	9.1%	$ 33,673	$ 33,195	1.4%
Premises and equipment	10,092	9,504	6.2%	29,250	31,200	(6.3)%
Communication and technology	12,345	12,140	1.7%	34,275	37,725	(9.1)%
Interest	3,875	3,981	(2.7)%	12,581	11,823	6.4%
General and administrative	22,077	23,809	(7.3)%	63,340	68,782	(7.9)%
Amortization(1)	6,750	8,398	(19.6)%	19,331	24,289	(20.4)%
Development costs	3,803	6,671	(43.0)%	16,304	15,811	3.1%
Total other overhead expenses	$ 70,312	$ 74,922	(6.2)%	$ 208,754	$ 222,825	(6.3)%

(1) Includes amortization of intangible assets in connection with the acquisitions of Genuity Capital Markets, a 50% interest in Canaccord Genuity (Australia) Limited (formerly Canaccord BGF), CSHP and Eden Financial Ltd.

Third quarter 2014 vs. third quarter 2013

Compared to Q3/13, overhead expenses of $70.3 million were $4.6 million or 6.2% lower in the third quarter of fiscal 2014. The decreases in development costs, general and administrative expense, and amortization expense were partially offset by higher trading costs and premises and equipment expense.

Development costs decreased by $2.9 million as a result of reduced hiring incentives plans offered in our UK and Europe wealth management and Asian capital markets operations in Q3/14. General and administrative expense, which includes reserve expense, promotion and travel expense, office expense, professional fees and donation expense, was down by $1.7 million, mainly due to lower reserve expense against unsecured balances.

A decline in the amortization expense associated with intangible assets acquired through the acquisition of CSHP was the main reason for the $1.6 million decrease in amortization expense, as certain intangible assets are now fully amortized.

Premises and equipment expense of $10.1 million was $0.6 million or 6.2% higher than in Q3/13, partially as a result of the recovery of an over accrual recognized in Q3/13 related to certain terminated leases. Higher trading costs in the US capital markets operations resulting from higher trade volume were the main contributor to the $1.0 million or 9.1% increase in trading cost expense compared to Q3/13.

Year-to-date fiscal 2014 vs. year-to-date fiscal 2013

Other overhead expenses for the nine months ended December 31, 2013 decreased by 6.3% or $14.1 million, to $208.8 million, from the same period a year ago. The decreases in premises and equipment expense, communication and technology expense, general and administrative expense and amortization expense were offset by increases in interest expense and development costs.

Premises and equipment expense was $2.0 million lower compared to the nine months ended December 31, 2012 due to the consolidation of office space. Communication and technology expense decreased by $3.5 million for the nine months ended December 31, 2013, to $34.3 million, primarily as a result of cost synergies realized in the US and the UK and Europe.

General and administrative expense decreased by $5.4 million as the Company continued to benefit from cost synergies and efficiencies throughout the organization, mainly from a drop in promotion and travel and professional fees expense. The $5.0 million decrease in amortization expense relates to a decrease in the amortization of intangible assets discussed above.

Development costs increased by $0.5 million, mainly due to the amortization cost of the CSH Inducement Plan, offset by lower hiring incentives in our UK and Europe and Asian operations. Interest expense increased by $0.8 million during the period, primarily as a result of an increase in activity in the International Equities Group in the US.

Net income (loss)

Third quarter 2014 vs. third quarter 2013

Net income for Q3/14 was $18.3 million compared to a net income of $10.3 million in the same period a year ago. Diluted income per share was $0.14 in Q3/14 compared to a diluted income per share of $0.08 in Q3/13. The increase in net income was attributable to higher revenue generated by the capital markets division in the US, the UK and Europe and Other Foreign Locations as a result of strong performance in our focus sectors. The increase in revenue in our foreign jurisdictions was offset by a decline in the revenue generated by the wealth management and capital markets divisions in Canada. In addition, our compensation expense decreased as a result of changes in the compensation structure and a reduced payout ratio. Overhead expenses in Q3/14 also decreased compared to the same period last year as a result of cost synergies and efficiencies achieved as a result of the restructuring efforts made throughout fiscal 2013.

Excluding significant items[1], which consist of amortization of intangible assets and restructuring costs, net income for Q3/14 was $21.2 million compared to $20.5 million in Q3/13. Diluted earnings per share (EPS), excluding significant items[1], were $0.17 in Q3/14 with no change from Q3/13.

The effective tax rate for this quarter was 24.9% compared to an effective tax rate of 21.8% in the same quarter last year. The tax rate for Q3/14 was affected by the utilization of tax losses and other temporary differences not recognized in prior periods by subsidiaries outside of Canada.

Year-to-date fiscal 2014 vs. year-to-date fiscal 2013

Net income for the nine months ended December 31, 2013 was $26.1 million compared to a net loss of $25.2 million for the same period a year ago. Diluted EPS was $0.16 compared to a diluted loss per share of $0.35 a year ago. Excluding significant items[1], net income was $39.8 million and diluted EPS was $0.29, compared to diluted EPS of $0.02 in the same period a year ago.

The $51.3 million increase in net income for the nine months ended December 31, 2013 was due to the reasons discussed above. In addition, there were restructuring costs of $25.2 million and acquisition-related costs of $1.7 million incurred in the same period last year, compared to restructuring costs of $5.5 million incurred for the nine months ended December 31, 2013.

Income taxes were $6.4 million for the nine months ended December 31, 2013, reflecting a year-to-date effective tax rate of 19.8%, compared to an income tax recovery of $4.5 million and an effective tax recovery rate of 15.1% 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 subsidiaries outside of Canada.

Results of Operations by Business Segment

CANACCORD GENUITY[1][2]

(C$ thousands, except number of employees and % amounts)	Three months ended December 31 2013	Three months ended December 31 2012	Quarter-over-quarter change	Nine months ended December 31 2013	Nine months ended December 31 2012	YTD-over-YTD change
Revenue	**$ 171,234**	$ 165,625	3.4%	**$ 429,131**	$ 387,036	10.9%
Expenses						
Incentive compensation	**87,850**	83,584	5.1%	**214,826**	208,326	3.1%
Salaries and benefits	**8,127**	8,280	(1.8)%	**25,657**	25,761	(0.4)%
Other overhead expenses	**45,193**	48,059	(6.0)%	**137,096**	148,161	(7.5)%
Restructuring costs	**—**	5,276	(100.0)%	**5,486**	9,671	(43.3)%
Acquisition-related costs	**—**	—	—	**—**	388	(100.0)%
Total expenses	**141,170**	145,199	(2.8)%	**383,065**	392,307	(2.4)%
Intersegment allocations[3]	**2,156**	848	154.2%	**6,292**	3,056	105.9%
Income (loss) before income taxes[3]	**$ 27,908**	$ 19,578	42.5%	**$ 39,774**	$ (8,327)	n.m.
Number of employees	**956**	1,006	(5.0)%			
Excluding significant items[4]						
Total expenses	**$ 139,490**	$ 136,450	2.2%	**$ 372,539**	$ 370,966	0.4%
Intersegment allocations[3]	**2,156**	848	154.2%	**6,292**	3,056	105.9%
Income before income taxes[3]	**29,588**	28,327	4.5%	**50,300**	13,014	286.5%

(1) Data is in accordance with IFRS except for figures excluding significant items and number of employees.
(2) Data includes results of Canaccord Genuity's operations in Australia since the closing date of November 1, 2011 including its wealth management activity. The operating results of the Australian operations have been fully consolidated and a 50% non-controlling interest has been recognized. Results of former CSHP entities since March 22, 2012 are also included.
(3) Income (loss) before income taxes 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

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.

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

REVENUE BY GEOGRAPHY AS A PERCENTAGE OF CANACCORD GENUITY REVENUE

	Three months ended December 31			Nine months ended December 31		
(in percentage points)	**2013**	2012	Quarter-over-quarter change	**2013**	2012	YTD-over-YTD change
Revenue generated in:						
Canada	**24.1%**	46.2%	(22.1) p.p.	**24.6%**	38.1%	(13.5) p.p.
UK and Europe	**38.4%**	26.7%	11.7 p.p.	**34.8%**	29.1%	5.7 p.p.
US	**28.2%**	22.7%	5.5 p.p.	**33.8%**	27.9%	5.9 p.p.
Other Foreign Locations	**9.3%**	4.4%	4.9 p.p.	**6.8%**	4.9%	1.9 p.p.
	100.0%	100.0%		**100.0%**	100.0%	

p.p.: percentage points

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

	Three months ended December 31			Nine months ended December 31		
(in percentage points)	**2013**	2012	Quarter-over-quarter change	**2013**	2012	YTD-over-YTD change
Incentive compensation ratio as a percentage of revenue						
Canada	**48.8%**	47.2%	1.6 p.p.	**47.6%**	49.2%	(1.6) p.p.
UK and Europe	**51.0%**	54.1%	(3.1) p.p.	**49.0%**	59.2%	(10.2) p.p.
US	**52.8%**	50.3%	2.5 p.p.	**51.4%**	53.7%	(2.3) p.p.
Other Foreign Locations	**54.8%**	63.6%	(8.8) p.p.	**58.1%**	58.6%	(0.5) p.p.
Canaccord Genuity (total)	**51.3%**	50.5%	0.8 p.p.	**50.1%**	53.8%	(3.7) p.p.

p.p.: percentage points

Third quarter 2014 vs. third quarter 2013

Revenue

Revenue for Canaccord Genuity in Q3/14 was $171.2 million, an increase of 3.4% or $5.6 million from the same quarter a year ago.

Revenue in the UK and Europe and the US increased by $21.5 million and $10.6 million, respectively, as markets improved in these regions and activity increased in our key investment banking focus sectors as a result of the strong performance of our UK- and US-based teams. Revenue from Other Foreign Locations represented 9.3% of total Canaccord Genuity revenue, an increase of 4.9 percentage points compared to the third quarter of fiscal 2013, mainly due to growth in our Australian and Singaporean operations. Capital markets revenue in our Canadian operations declined during the third quarter of fiscal 2014 due to a $38.8 million decline in advisory fees compared to the record quarter in Q3/13, which was achieved as a result of two significant advisory mandates completed by our Canadian operations during that quarter.

Expenses

Expenses for Q3/14 were $141.2 million, down 2.8% or $4.0 million. Incentive compensation expense was $87.9 million for the quarter, which was 5.1% or $4.3 million higher than in Q3/13. Incentive compensation expense as a percentage of revenue increased by 0.8 percentage points compared to the same period last year, from 50.5% in Q3/13 to 51.3% in Q3/14.

Higher share-based incentive compensation expense in Canada and the US, and build-up expenses associated with the expansion of the fixed income group in the US contributed to the 1.6 percentage point and 2.5 percentage point increases in the incentive compensation expense ratio in Canada and the US, respectively. Higher revenue combined with lower compensation levels arising from combining the capital markets and advisory operations in the UK and Europe led to a drop of 3.1 percentage points in the incentive compensation ratio in this geography.

The capital markets segment experienced a decline in most overhead expense categories as the Company began to see the benefits of the restructuring efforts made throughout fiscal 2013.

Prior to Q1/14, certain trading, clearing and settlement charges were included with the intersegment allocated costs in Canada. Beginning in Q1/14, the basis for determining these charges was changed and these charges were classified as a trading cost in the applicable business unit and as a trading cost recovery in the Corporate and Other segment. This change led to a $0.8 million increase in trading costs in Canada compared to Q3/13. Trading costs increased in the US by $1.8 million as a result of higher customer and principal trading activity. Trading costs increased by $0.3 million in the UK and Europe compared to Q3/13 as a result of increased trading volumes.

General and administrative expense in Q3/14 was $12.4 million, which was $2.5 million or 16.9% lower than in Q3/13 as a result of continuing efforts to reduce costs, as well as a lower reserve expense against unsecured balances.

Amortization expense was $3.7 million in Q3/14, down $1.3 million or 25.2% as certain intangible assets acquired through the acquisition of CSHP are now fully amortized.

Development costs decreased by $1.7 million compared to Q3/13, primarily because of reduced hiring incentives in our Asian and UK and Europe operations.

The Company also recognized $5.3 million of restructuring costs in Q3/13 as a result of efforts made to eliminate staffing redundancies and to fully utilize synergies from the CSHP acquisition.

Income before income taxes
Income before income taxes, including allocated overhead expenses for the quarter, was $27.9 million compared to $19.6 million in the same quarter a year ago. Excluding significant items[(1)], income before income taxes increased from $28.3 million in Q3/13 to $29.6 million in Q3/14. The increase in income before income taxes was attributable to improved market conditions, strength in our UK- and US-based operations leading to higher revenue in these geographies, as well as lower payout ratios and lower overhead costs resulting from the implementation of cost reduction strategies.

Year-to-date fiscal 2014 vs. year-to-date fiscal 2013
Revenue
Revenue for Canaccord Genuity in the nine months ended December 31, 2013 was $429.1 million, an increase of $42.1 million from the same period last year. Revenue in the UK and Europe and US operations increased by 32.6% and 34.3%, respectively, due to improved market conditions and increased corporate activity in our focus sectors in these geographies.

Capital markets revenue declined in Canada during the nine months ended December 31, 2013, mainly as a result of the record advisory revenue recognized in Q3/13, which was primarily achieved through two significant advisory mandates. Our Other Foreign Locations generated revenue of $29.3 million, which represents a 55.5% increase from the same period in fiscal 2013.

Expenses
Expenses for the nine months ended December 31, 2013 were $383.1 million, down 2.4% or $9.2 million. As discussed above, the Company's restructuring efforts in fiscal 2013 led to decreases in most overhead expenses. General and administrative expense, amortization expense, communication and technology expense and premises and equipment expense all decreased compared to the same period in fiscal 2013.

The $6.5 million increase in incentive compensation expense was a result of higher incentive-based revenue. Incentive compensation expense as a percentage of revenue decreased by 3.8 percentage points to 50.1% for the nine months ended December 31, 2013. The decrease in incentive compensation expense as a percentage of revenue was mainly attributable to certain changes in the compensation structure, reduced payout ratios, as well as reductions arising from combining the capital markets and advisory operations in the UK and Europe.

Communication and technology expense decreased by $3.9 million or 15.2% compared to the same period of the prior year as subscriptions, licences and other costs duplicated in connection with the acquisition of CSHP were eliminated. The decrease in amortization expense of $5.2 million was attributable to lower amortization of intangible assets as certain intangible assets became fully amortized. General and administrative expense decreased by $6.9 million, mainly due to cost reduction efforts focused on promotion and travel, and professional fees expense. Premises and equipment expense decreased by $1.8 million as a result of the consolidation of office space.

Interest expense was $0.6 million higher due to an increase in capital markets activity in the US. The trading cost changes in Canada, as discussed above, also led to an increase of $5.6 million in the segment's trading cost expense.

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 and Europe, as well as certain office closure costs.

Income (loss) before income taxes
Income before income taxes for the nine months ended December 31, 2013 was $39.8 million, an increase of $48.1 million from a loss of $8.3 million in the same period a year ago. The increase in income before income taxes was attributable to improved markets leading to higher revenue in the US, the UK and Europe and the Other Foreign Locations geographic regions, as well as the implementation of cost reduction strategies leading to a reduction in compensation and overhead expenses. Excluding significant items[(1)], income before income taxes for the nine months ended December 31, 2013 was $50.3 million, an increase of $37.3 million from the same period a year ago.

(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 2013	2012	Quarter-over-quarter change	Nine months ended December 31 2013	2012	YTD-over-YTD change
Revenue	**$ 27,719**	$ 35,051	(20.9)%	**$ 78,974**	$ 107,632	(26.6)%
Expenses						
Incentive compensation	**14,074**	18,181	(22.6)%	**39,763**	57,010	(30.3)%
Salaries and benefits	**2,854**	3,216	(11.3)%	**9,273**	10,324	(10.2)%
Other overhead expenses	**11,042**	9,743	13.3%	**32,477**	32,169	1.0%
Restructuring costs	**—**	—	—	**—**	13,567	(100.0)%
Total expenses	**27,970**	31,140	(10.2)%	**81,513**	113,070	(27.9)%
Intersegment allocations[2]	**4,407**	8,506	(48.2)%	**12,397**	27,153	(54.3)%
Loss before income taxes[2]	**$ (4,658)**	$ (4,595)	(1.4)%	**$ (14,936)**	$ (32,591)	54.2%
AUM – Canada (discretionary)[3]	**1,070**	791	35.3%	**1,070**	791	35.3%
AUA – Canada[4]	**9,536**	11,403	(16.4)%	**9,536**	11,403	(16.4)%
Number of Advisory Teams – Canada	**163**	184	(11.4)%	**163**	184	(11.4)%
Number of employees	**425**	493	(13.8)%	**425**	493	(13.8)%
Excluding significant items[5]						
Total expenses	**$ 27,970**	$ 31,140	(10.2)%	**$ 81,513**	$ 99,503	(18.1)%
Intersegment allocations[2]	**4,407**	8,506	(48.2)%	**12,397**	27,153	(54.3)%
Loss before income taxes[2]	**(4,658)**	(4,595)	(1.4)%	**(14,936)**	(19,024)	21.5%

(1) Data is in accordance with IFRS except for AUM, AUA, number of Advisory Teams and number of employees.
(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 Canaccord, from which Canaccord earns commissions and fees.
(5) Refer to the Selected Financial Information Excluding Significant Items table on page 12.

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

Third quarter 2014 vs. third quarter 2013

Revenue from Canaccord Genuity Wealth Management North America was $27.7 million, a decrease of $7.3 million or 20.9%, mainly caused by weaker trading volumes in Canada during Q3/14.

AUA in Canada decreased by 16.4% to $9.5 billion at December 31, 2013 compared to $11.4 billion at December 31, 2012, primarily due to reduced trading activity in Canada. AUM in Canada increased by 35.3% compared to Q3/13 due to an increased focus on the transition from traditional commission-based accounts to fee-based and managed accounts. There were 163 Advisory Teams in Canada, a decrease of 21 from a year ago. The fee-based revenue in our North American operations was 4.4 percentage points higher than in the same quarter of the prior year and accounted for 32.4% of the wealth management revenue in Canada during the third quarter of fiscal 2014.

Expenses for Q3/14 were $28.0 million, a decrease of 10.2% or $3.2 million. The main driver for the overall decrease in expenses was the $4.5 million decrease in total compensation expense, declining to $16.9 million in Q3/14 as a result of lower incentive-based revenue during the quarter. Lower amortization expense and development costs also contributed to the overall decrease in expenses. Amortization expense decreased by $0.7 million compared to Q3/13 as a write-off of leasehold improvements related to branch closures was recorded in the prior year. Development costs decreased by $0.3 million as a result of lower amortization costs for hiring incentives plans during the quarter.

Prior to Q1/14, certain trading, clearing and settlement charges were included with the intersegment allocated costs in Canada. Beginning in Q1/14, the basis for determining these charges was changed and these charges were classified as a trading cost in the applicable business unit and as a trading cost recovery in Corporate and Other. This change has led to an increase in trading costs of $2.0 million in the North American wealth management business unit. This increase was more than offset by a decrease in intersegment allocations of $4.1 million, for a combined net decrease of $2.1 million in trading and allocated costs.

Loss before income taxes was $4.7 million, consistent with a loss before income taxes of $4.6 million in the same period a year ago. The challenging market conditions in Canada experienced by the wealth management sector continued to prevail and resulted in a loss before income taxes in Q3/14.

Year-to-date fiscal 2014 vs. year-to-date fiscal 2013

Revenue from Canaccord Genuity Wealth Management North America was $79.0 million during the nine months ended December 31, 2013, a decrease of $28.7 million from the same period in the prior year as a result of the difficult market conditions that have prevailed so far during fiscal 2014.

Expenses for the nine months ended December 31, 2013 were $81.5 million, a decrease of $31.6 million or 27.9% from the same period in the prior year.

Incentive compensation expense decreased by $17.2 million as a result of lower incentive-based revenue. In addition, as a result of cost reduction initiatives, premises and equipment expense decreased by $0.8 million, general and administrative expense decreased by $2.4 million and development costs decreased by $1.4 million. Amortization expense decreased by $0.9 million for reasons discussed above.

Offsetting these decreases in expenses was an increase in trading costs of $6.0 million from the same period in the prior year. As discussed above, the increase in trading costs was a result of a change in the basis for allocating certain trading, clearing and settlement charges among the Canadian business units. This increase was more than offset by a decrease in intersegment allocations of $14.8 million, for a combined net decrease of $8.8 million in trading and allocated costs.

Restructuring costs of $13.6 million were recorded in the nine months ended December 31, 2012 as a result of the closure of underperforming branches.

Loss before income taxes for year-to-date fiscal 2014 was $14.9 million compared to a loss before income taxes of $32.6 million for the same period a year ago. Excluding significant items(1), loss before income taxes for the nine months ended December 31, 2013 was $14.9 million compared to $19.0 million for the same period a year ago. Despite the lower revenue, 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, 2013 compared to the same period last year.

CANACCORD GENUITY WEALTH MANAGEMENT UK AND EUROPE(1)(2)

(C$ thousands, except AUM and AUA (in C$ millions), number of employees, investment professionals and fund managers, and % amounts)	Three months ended December 31			Nine months ended December 31		
	2013	2012	Quarter-over-quarter change	2013	2012	YTD-over-YTD change
Revenue	$ 27,018	$ 24,792	9.0%	$ 79,826	$ 65,051	22.7%
Expenses						
Incentive compensation	9,618	9,679	(0.6)%	28,737	25,510	12.6%
Salaries and benefits	3,477	2,596	33.9%	10,042	7,429	35.2%
Other overhead expenses	10,191	9,997	1.9%	28,775	24,382	18.0%
Restructuring costs	—	1,034	(100.0)%	—	1,034	(100.0)%
Acquisition-related costs	—	431	(100.0)%	—	1,331	(100.0)%
Total expenses	23,286	23,737	(1.9)%	67,554	59,686	13.2%
Intersegment allocations(3)	2,175	1,743	24.8%	5,688	4,967	14.5%
Income before income taxes(3)	$ 1,557	$ (688)	n.m.	$ 6,584	$ 398	n.m.
AUM – UK and Europe(4)	18,984	15,228	24.7%	18,984	15,228	24.7%
Number of investment professionals and fund managers – UK and Europe	119	119	—	119	119	—
Number of employees	294	298	(1.3)%	294	298	(1.3)%
Excluding significant items(5)						
Total expenses	$ 21,341	$ 20,629	3.5%	$ 61,969	$ 53,066	16.8%
Intersegment allocations(3)	2,175	1,743	24.8%	5,688	4,967	14.5%
Income before income taxes(3)	3,502	2,420	44.7%	12,169	7,018	73.4%

(1) Data is in accordance with IFRS except for AUM, number of investment professionals and fund managers and number of employees.
(2) Includes operating results from the wealth management business of Eden Financial Ltd. since October 1, 2012.
(3) Income before income taxes includes intersegment allocations. See the Intersegment Allocated Costs section on page 24.
(4) AUM in the UK and Europe is the market value of client assets managed and administered by Canaccord, from which Canaccord earns commissions and fees. This measure includes both discretionary and non-discretionary accounts.
(5) Refer to the Selected Financial Information Excluding Significant Items table on page 12.
n.m.: not meaningful

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

Third quarter 2014 vs. third quarter 2013

Revenue generated by our UK and Europe operations is largely produced through fee-based accounts and portfolio management activities, and, as such, is less sensitive to changes in market conditions. Through the acquisition of the wealth management business of Eden Financial Ltd., Canaccord Genuity Wealth Management UK and Europe further expanded its operations in the UK. Revenue for Q3/14 was $27.0 million, an increase of 9.0% compared to Q3/13.

AUM in the UK and Europe as of December 31, 2013 was $19.0 billion. The fee-based revenue in our UK and European operations accounted for 63.6% of total revenue in this geography. As discussed above, this business has a higher proportion of fee-based revenue and managed accounts compared to our Canadian wealth management business.

Incentive compensation expense was $9.6 million, relatively unchanged from $9.7 million in Q3/13. Total compensation (incentive compensation plus salaries and benefits) as a percentage of revenue decreased by 3.4 percentage points, from 39.0% in Q3/13 to 35.6% in Q3/14, as a result of our continued efforts to monitor costs and implement cost reduction initiatives in relation to our compensation structure. The increase in salaries and benefits expense of $0.9 million was partially due to a reclassification of certain costs to salaries and benefits expense in fiscal 2014. Development costs were $1.3 million in Q3/14, a decrease of $0.7 million resulting from reduced hiring incentives.

Restructuring costs of $1.0 million were recognized in Q3/13 for the integration of the UK and Europe wealth management businesses. Acquisition-related costs of $0.4 million were incurred in the same quarter last year for the acquisition of the wealth management business of Eden Financial Ltd.

Income before income taxes was $1.6 million compared to a loss before income taxes of $0.7 million in the same period a year ago as a result of higher revenue generated in Q3/14.

Year-to-date fiscal 2014 vs. year-to-date fiscal 2013

Revenue from Canaccord Genuity Wealth Management UK and Europe was $79.8 million for the nine months ended December 31, 2013, an increase of $14.8 million or 22.7% from the same period in the prior year.

Expenses for the nine months ended December 31, 2013 were $67.6 million, an increase of $7.9 million or 13.2% from the same period in the prior year. Total compensation expense (incentive compensation plus salaries and benefits) was $5.8 million higher compared to the nine months ended December 31, 2012, mostly as a result of higher incentive-based revenue and the reclassification of certain costs to salaries and benefits expense in fiscal 2014. There was also a $1.6 million increase in development costs in connection with the amortization of the CSH Inducement Plan and higher systems development costs.

Amortization expense increased by $1.1 million as a result of the amortization of intangible assets acquired through the acquisition of the wealth management business of Eden Financial Ltd.

Income before income taxes for the nine months ended December 31, 2013 was $6.6 million compared to income before income taxes of $0.4 million for the same period a year ago. The higher income was mainly due to higher revenue generated in the first nine months of fiscal 2014, as well as a reduction in acquisition-related and restructuring costs.

CORPORATE AND OTHER[1]

(C$ thousands, except number of employees and % amounts)	Three months ended December 31 2013	2012	Quarter-over-quarter change	Nine months ended December 31 2013	2012	YTD-over-YTD change
Revenue	$ **4,988**	$ 4,535	10.0%	$ **13,565**	$ 19,432	(30.2)%
Expenses						
Incentive compensation	**3,335**	2,693	23.8%	**5,387**	2,581	108.7%
Salaries and benefits	**6,892**	6,990	(1.4)%	**20,994**	22,183	(5.4)%
Other overhead expenses	**3,886**	7,123	(45.4)%	**10,406**	18,113	(42.5)%
Restructuring costs	**—**	—	—	**—**	900	(100.0)%
Total expenses	**14,113**	16,806	(16.0)%	**36,787**	43,777	(16.0)%
Intersegment allocations[2]	**(8,738)**	(11,097)	21.3%	**(24,377)**	(35,176)	30.7%
(Loss) income before income taxes[2]	$ **(387)**	$ (1,174)	67.0%	$ **1,155**	$ 10,831	(89.3)%
Number of employees	**319**	332	(3.9)%			
Excluding significant items[3]						
Total expenses	$ **14,113**	$ 16,806	(16.0)%	$ **36,787**	$ 42,877	(14.2)%
Intersegment allocations[2]	**(8,738)**	(11,097)	21.3%	**(24,377)**	(35,176)	30.7%
(Loss) income before income taxes[2]	**(387)**	(1,174)	67.0%	**1,155**	11,731	(90.2)%

(1) Data is in accordance with IFRS except for number of employees.
(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.

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

Third quarter 2014 vs. third quarter 2013

Revenue for the three months ended December 31, 2013 was $5.0 million, an increase of 10.0% or $0.5 million from the same quarter a year ago. The change was mainly related to an increase in foreign exchange gains recognized in Q3/14 due to the fluctuation of the Canadian dollar. This increase was offset by a reduction in revenue associated with our correspondent brokerage services activity.

Expenses for Q3/14 decreased by $2.7 million or 16.0%, to $14.1 million, mainly due to trading cost recoveries resulting from a change to the basis for recording certain trading, clearing and settlement charges to the Canaccord Genuity and Canaccord Genuity Wealth Management business units in Canada, offset slightly by an increase in general and administrative expense. General and administrative expense was higher due to professional fees incurred to review the internal process of our operations and support services groups. Overall, loss before income taxes was $0.4 million in Q3/14 compared to a loss before income taxes of $1.2 million in the same quarter a year ago.

Year-to-date fiscal 2014 vs. year-to-date fiscal 2013

Revenue was $13.6 million for the nine months ended December 31, 2013, a decrease of $5.9 million from the same period last year, primarily due to a reduction in correspondent brokerage services revenue.

Expenses for the nine months ended December 31, 2013 were $36.8 million, a decrease of $7.0 million from the same period last year. The overall decrease in expenses was as a result of the significant decrease in trading costs due to the trading cost recoveries discussed above. Incentive compensation expense increased by $2.8 million as a result of higher group profitability. Lower headcount throughout the nine months ended December 31, 2013 resulted in a $1.2 million decrease in salaries and benefits expense. General and administrative expense increased by $3.3 million due to a recovery of client expense recorded in the same period of the prior year.

Overall, income before income taxes was $1.2 million compared to $10.8 million in the same period a year ago.

Quarterly Results

Our quarterly results are not significantly affected by seasonal factors. However, Canaccord's revenue and income can experience considerable variations from quarter to quarter and year to year due to factors beyond Canaccord's control. The business is affected by the overall condition of the worldwide market. The timing of revenue recognition can also materially affect Canaccord's quarterly results. Canaccord's revenue from an underwriting transaction is recorded only when the transaction has closed. Consequently, the timing of revenue recognition can materially affect Canaccord's quarterly results.

The following table provides selected quarterly financial information for the eight most recently completed financial quarters ended on or before December 31, 2013. 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 2014			Fiscal 2013				Fiscal 2012
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue								
Canaccord Genuity	**$ 171,234**	$ 126,691	$ 131,206	$ 153,997	$ 165,625	$ 120,110	$ 101,301	$ 113,067
Canaccord Genuity Wealth Management:								
North America	**27,719**	24,413	26,842	32,223	35,051	35,814	36,767	52,537
UK and Europe	**27,018**	25,830	26,978	26,706	24,792	20,672	19,587	1,987
Corporate and Other	**4,988**	6,372	2,205	5,045	4,535	10,003	4,894	10,101
Total revenue	**$ 230,959**	$ 183,306	$ 187,231	$ 217,971	$ 230,003	$ 186,599	$ 162,549	$ 177,692
Net income (loss)	**18,334**	(80)	7,883	6,424	10,264	(14,841)	(20,622)	(31,794)
Earnings (loss) per common share – basic	**$ 0.15**	$ (0.03)	$ 0.06	$ 0.04	$ 0.09	$ (0.19)	$ (0.24)	$ (0.42)
Earnings (loss) per common share – diluted	**$ 0.14**	$ (0.03)	$ 0.06	$ 0.04	$ 0.08	$ (0.19)	$ (0.24)	$ (0.42)

Our quarterly results have been affected by the challenging market conditions as well as costs related to restructuring initiatives. However, with the market activity returning to a more stabilized level and synergies achieved through our acquisitions, our operating results are starting to show a positive trend in recent quarters. The Canaccord Genuity (capital markets) division is gaining traction from its CSHP acquisition, as reflected by the strong performances of our US and UK and Europe operations. Our UK and Europe operations generated record revenue in Q3/14, while the US investment banking revenue and principal trading revenue over the past eight quarters have generally improved. In Canada, our capital markets division was impacted by the difficult market environment, particularly in the resource sector, and as a result we have not been able to maintain the same level of revenue as in fiscal 2013, particularly in advisory fee revenue. However, during the third quarter of fiscal 2014, revenue for Canaccord Genuity in Canada increased over Q2/14 as market activity improved, resulting in a 32.0% growth in revenue compared to Q2/14. Our Other Foreign Locations operations also increased their revenue by 88.1% in Q3/14 compared to Q2/14.

The Canaccord Genuity Wealth Management North America operations continued to experience lower revenue trends in fiscal 2014 compared to fiscal 2013 due to reduced trading volumes. However, the operations increased their assets under management by 14.4% compared to the previous quarter, to $1.1 billion, a solid indication of growth in our managed and fee-based accounts. Stuart Raftus was appointed as President of Canaccord Genuity Wealth Management in Canada on January 15, 2014. Mr. Raftus has over 28 years of experience in the securities industry with a strong track record of execution, making him well suited to lead this division.

The Canaccord Genuity Wealth Management UK and Europe operations continued to experience steady growth in their revenue, reflecting the synergies obtained through the acquisition of Eden Financial Ltd. The fee-related revenue in this division has also been steadily increasing. It now stands at 63.6% for Q3/14, a 1.1 percentage point increase from the previous quarter. Assets under management for this group have also continued to grow over the past eight completed financial quarters and increased by 7.5% from Q2/14.

The movement in revenue in the Corporate and Other division was mainly due to foreign exchange gains or losses resulting from fluctuation of 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. Prior to Q1/14, certain trading, clearing and settlement charges were included as an intersegment allocated cost. Beginning in Q1/14, these costs were classified 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 and Europe to Canaccord Genuity Wealth Management UK and 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 $357.7 million on December 31, 2013 compared to $491.0 million on March 31, 2013. Refer to the Liquidity and Capital Resources section on page 25 for more details.

Securities owned were $1.1 billion on December 31, 2013 compared to $924.3 million on March 31, 2013 due to an increase in corporate and government debt, and equities and convertible debentures owned.

Accounts receivable were $1.9 billion at December 31, 2013 compared to $2.5 billion at March 31, 2013, mainly due to a decrease in receivables from brokers and investment dealers.

Goodwill was $507.8 million and intangible assets were $130.2 million at December 31, 2013, 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 (formerly Canaccord BGF), the wealth management business of Eden Financial Ltd., and from the acquisition of certain assets of Kenosis Capital Partners. At March 31, 2013, goodwill was $484.7 million and intangible assets were $130.3 million. The slight decrease in intangible assets was primarily as a result of the amortization of intangible assets, netted against an increase in capitalized costs relating to systems development.

Other assets, consisting of income taxes receivable, deferred tax assets, equipment and leasehold improvements, and investments, were $71.0 million at December 31, 2013 compared to $59.2 million at March 31, 2013. The increase in other assets was mainly attributable to a $5.0 million investment made in Canadian First Financial Holdings Limited (Canadian First), a private company which has been established as a Canadian retail financial services organization, during the nine months ended December 31, 2013. Equipment and leasehold improvements also contributed $7.4 million to the increase in other assets, related mostly to the addition of leasehold improvements in our UK and Europe and Canadian operations. In addition, equipment and leasehold improvements increased due to the impact of foreign exchange translation of equipment and leasehold improvements held by our foreign subsidiaries.

LIABILITIES

Bank overdrafts and call loan facilities utilized by Canaccord may vary significantly on a day-to-day basis and depend on securities trading activity. At December 31, 2013, Canaccord had available credit facilities with banks in Canada and the UK in the aggregate amount of $721.1 million [March 31, 2013 – $705.5 million]. These credit facilities, consisting of call loans, subordinated debt, letters of credit and daylight overdraft facilities, are collateralized by either unpaid client securities and/or securities owned by the Company. On December 31, 2013, there was bank indebtedness of $85.1 million, compared to $66.1 million on March 31, 2013.

Securities sold short were $816.0 million at December 31, 2013 compared to $689.0 million at March 31, 2013, due mostly to an increase in short positions in both corporate and government debt, and equities and convertible debentures.

Accounts payable and accrued liabilities, including provisions, were $2.1 billion at December 31, 2013, a decrease from $2.7 billion on March 31, 2013, mainly due to a decrease in payables to clients, brokers and investment dealers.

Other liabilities, including subordinated debt, contingent consideration, income taxes payable and deferred tax liabilities, were $25.5 million at December 31, 2013 compared to $36.2 million at March 31, 2013. This decrease was mainly due to the payment of contingent consideration related to the acquisition of Eden Financial Ltd. Income taxes payable also decreased from March 31, 2013.

Non-controlling interests were $12.1 million at December 31, 2013 compared to $16.2 million at March 31, 2013, which represents 50% of the net assets of our operations in Australia.

Off-balance Sheet Arrangements

A subsidiary of the Company has entered into irrevocable secured standby letters of credit from a financial institution totalling $2.0 million (US$1.9 million) [March 31, 2013 – $3.3 million (US$3.2 million)] as rent guarantees for its leased premises in Boston and New York.

Liquidity and Capital Resources

Canaccord has a capital structure comprised of preferred shares, common shares, contributed surplus, retained earnings and accumulated other comprehensive income. On December 31, 2013, cash and cash equivalents were $357.7 million, a decrease of $133.3 million from $491.0 million as of March 31, 2013. During the nine months ended December 31, 2013, financing activities used cash in the amount of $33.3 million, mainly due to dividends paid, purchases of common shares for the long-term incentive plan (LTIP) as well as shares repurchased for cancellation, which were offset by an increase in bank indebtedness. Investing activities used cash in the amount of $33.4 million, mainly for the purchase of equipment and leasehold improvements, the payment of contingent consideration related to the acquisition of Eden Financial Ltd., the purchase of intangible assets, and for the investment in Canadian First. Operating activities used cash in the amount of $77.7 million, which was largely due to changes in non-cash working capital. An increase in cash of $11.0 million was attributable to the effect of foreign exchange translation on cash balances. In total, there was a decrease in net cash of $133.3 million compared to March 31, 2013.

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

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

The following table summarizes Canaccord's long term contractual obligations on December 31, 2013:

		Contractual obligations payments due by period			
(C$ thousands)	Total	Fiscal 2015	Fiscal 2016–Fiscal 2017	Fiscal 2018–Fiscal 2019	Thereafter
Premises and equipment operating leases	$ 201,526	$ 33,745	$ 61,103	$ 41,912	$ 64,766

Outstanding Share Data

	Outstanding shares as of December 31	
	2013	2012
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)	**92,911,964**	92,521,669
Issued shares outstanding(2)	**101,818,941**	102,512,817
Issued shares outstanding – diluted(3)	**108,409,478**	110,968,918
Average shares outstanding – basic	**93,863,278**	92,039,724
Average shares outstanding – diluted	**103,192,653**	102,225,856

(1) Excludes 4,093,552 outstanding unvested shares related to share purchase loans for recruitment and retention programs, 4,742,713 unvested shares purchased by an employee benefit trust for the LTIP and 70,712 shares held in treasury purchased through the NCIB to be cancelled.
(2) Includes 4,093,552 outstanding unvested shares related to share purchase loans for recruitment and retention programs, 4,742,713 unvested shares purchased by an employee benefit trust for the LTIP and 70,712 shares held in treasury purchased through the NCIB to be cancelled.
(3) Includes 8,383,195 share issuance commitments adjusted for estimated forfeitures and excludes 70,712 shares held in treasury purchased through the NCIB to be cancelled.

In August 2012, the Company filed a renewal notice for a normal course issuer bid (NCIB) to provide for the ability to purchase, at the Company's discretion, up to 3,000,000 of its common shares through the facilities of the TSX from August 13, 2012 to August 12, 2013, representing 2.93% of the Company's common shares outstanding at the time of the notice. The purpose of the purchase of common shares under the NCIB is to enable the Company to acquire shares for cancellation. There were 924,240 shares purchased through the NCIB between August 13, 2012 and August 12, 2013, and cancelled.

On August 6, 2013, the Company filed a notice to renew the NCIB to provide the Company with the choice to purchase up to a maximum of 5,136,948 of its common shares during the period from August 13, 2013 to August 12, 2014 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 1,694,248 shares purchased through the NCIB between August 13, 2013 and December 31, 2013, of which 1,623,536 shares have been cancelled and 70,712 shares are 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, 2013, and will continue for one year (to August 12, 2014) 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 26,456 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 2013 to July 2013 and (b) 25% of the average daily trading volume of common shares of the Company on the TSX in the month of July 2013). To fulfill its regulatory reporting requirements in Canada and in the UK, Canaccord 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 4, 2014, the Company has 101,313,371 common shares issued and outstanding.

Share-based Payment Plans

There have been no updates to the share-based payment plans discussed in the 2013 Annual Report.

International Financial Centre

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

Financial Instruments

FOREIGN EXCHANGE

Canaccord manages its foreign exchange risk by periodically hedging pending settlements in foreign currencies. Realized and unrealized gains and losses related to these transactions are recognized in income during the period. On December 31, 2013, forward contracts outstanding to sell US dollars had a notional amount of $2.9 million, while there were none outstanding a year ago. Forward contracts outstanding to buy US dollars decreased by $1.1 million from a year ago with a notional amount of US$1.5 million. The fair value of these contracts was nominal. Some of Canaccord's operations in the US, the UK and Europe, Australia, Singapore, Hong Kong and China are conducted in the local currency; however, any foreign exchange risk in respect of these transactions is generally limited as pending settlements on both sides of the transaction are typically in the local currency.

The Company's Canadian operations also have a net sell position for pounds sterling (GBP) of £2.2 million with an average price of 1.76 (CAD/GBP) and a maturity date of January 16, 2014. The Company's Canadian operations also have a net buy position for GBP of £2.5 million with an average price of 1.76 (CAD/GBP) and a maturity date of February 3, 2014. 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 and Europe trades foreign exchange forward contracts on behalf of its clients, and establishes matching contracts with the counterparties. The Company has no significant net exposure, assuming no counterparty default.

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, 2013, the notional amount of the bond futures contracts outstanding was long $0.4 million [March 31, 2013 – nil].

Beginning in the second quarter of fiscal 2014, the Company's Canadian operations began trading US Treasury futures. The Company's Canadian operations trade in US Treasury futures in an attempt to mitigate interest rate risk, yield curve risk and liquidity risk. At December 31, 2013, the notional amount of the US Treasury futures contracts outstanding held in a short position by the Company was $(5.2) million (US$(4.9) million) [March 31, 2013 – nil].

Investments

During the nine months ended December 31, 2013, the Company invested $5.0 million in common shares of Canadian First Financial Holdings Limited, a private company which has been established as a Canadian retail financial services organization.

Business Combination

On July 25, 2013, the Company acquired the remaining 50% ownership of Canaccord Genuity (Hong Kong) Limited (CGHKL) for cash consideration of $0.7 million to now own 100% of CGHKL. The fair value of the net assets acquired approximates the cash consideration. The Company previously held a 50% beneficial interest in CGHKL through its ownership of Canaccord Financial Group (Australia) Pty Ltd. CGHKL is licensed with the Securities and Futures Commission in Hong Kong.

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 18 of the March 31, 2013 Audited Annual Consolidated Financial Statements with the following changes: (1) Canaccord Genuity (Hong Kong) Limited is now 100% owned by Canaccord Genuity Group Inc., (2) Canaccord International Ltd. has changed its name to Canaccord Genuity (Barbados) Ltd., and (3) Canaccord Genuity 360 Limited is now called Canaccord Genuity Financial Planning Limited.

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

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

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

	December 31, 2013	March 31, 2013
Accounts receivable	**$ 281**	$ —
Accounts payable and accrued liabilities	**4,062**	1,206

Critical Accounting Policies and Estimates

The unaudited interim condensed consolidated financial statements for the quarter ended December 31, 2013 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 the use of management's best estimates in order to determine fair values using discounted cash flow projections that employ the following key assumptions: future cash flows, growth projections and discount rates. Due to continuing economic uncertainties, interim impairment tests were performed for goodwill and indefinite life intangible assets for all applicable cash-generating units (CGUs) as of December 31, 2013.

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 20.0%. Cash flow estimates for each CGU are based on management assumptions, and utilize compound annual revenue growth rates for the five-year period beginning January 1, 2015 (the Forecast Period) which range from 9.0% to 13.9% [March 31, 2013 – 9.0% to 16.0%] as well as estimates in respect of operating margins.

Refer to Note 10 of the unaudited interim condensed consolidated financial statements for the quarter ended December 31, 2013 for further information regarding the key assumptions used in connection with the December 31, 2013 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 2014 and are discussed under "Critical Accounting Policies and Estimates" in our 2013 Annual Report.

Changes in Accounting Policies

There were no significant changes in the accounting policies discussed in Note 4 of the March 31, 2013 consolidated financial statements, during the nine months ended December 31, 2013, except for the following new standards, which were adopted and are effective as of April 1, 2013:

IFRS 10 – "*CONSOLIDATED FINANCIAL STATEMENTS*" (IFRS 10)

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing International Accounting Standards (IAS) 27, "*Consolidated and Separate Financial Statements*", that dealt with consolidated financial statements and SIC-12, "*Consolidation – Special Purpose Entities*". IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. This replaced the previous approach, which emphasized legal control or exposure to risks and rewards, depending on the nature of the entity. The adoption of IFRS 10 had no impact on the entities that are consolidated by the Company.

IFRS 12 – "*DISCLOSURE OF INTERESTS IN OTHER ENTITIES*" (IFRS 12)

IFRS 12 includes the disclosure requirements for subsidiaries and associates and introduces new requirements for unconsolidated structured entities. None of these disclosure requirements are applicable for interim condensed consolidated financial statements, unless significant events and transactions in the interim period require that they be provided. Accordingly, the Company has not made such disclosures. Additional disclosures will be required for the annual consolidated financial statements for the year ending March 31, 2014.

IFRS 13 – "*FAIR VALUE MEASUREMENTS*" (IFRS 13)

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The prospective application of IFRS 13 has not materially impacted the fair value measurements carried out by the Company.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7, "*Financial Instruments: Disclosures*". Some of these disclosures are specifically required for financial instruments by IAS 34, thereby affecting the interim condensed consolidated financial statements.

IAS 1 – "*PRESENTATION OF FINANCIAL STATEMENTS*" (IAS 1)

Amendments to IAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time are to be presented separately from items that will never be reclassified. There were no presentation changes to items within OCI and net income or loss as a result of the adoption of these amendments to IAS 1. All amounts currently recorded in OCI will be reclassified to profit or loss in subsequent periods.

IAS 19R – "*EMPLOYEE BENEFITS*" (IAS 19R)

Amendments to IAS 19R contain a number of changes to the accounting for employment benefit plans including recognition and disclosure of defined benefit pension plans and clarification on the recognition of post-employment and termination benefits. The amendments did not have an 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 2013 Annual Report, during the nine months ended December 31, 2013. The Company is currently evaluating the impact these developments will have on its consolidated financial statements and assessing whether to early adopt any of the new requirements.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

DISCLOSURE CONTROLS AND PROCEDURES

Based on an evaluation performed as of March 31, 2013, 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, 2013, 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, 2013. Based on this evaluation, the President & CEO and the Executive Vice President & CFO concluded that Canaccord'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 quarter ended December 31, 2013 that have materially affected, or are reasonably likely to materially affect, Canaccord's internal control over financial reporting.

Dividend Policy

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

Dividend Declaration

On February 5, 2014, the Board of Directors approved the following cash dividends: $0.05 per common share payable on March 10, 2014 to common shareholders with a record date of February 21, 2014; $0.34375 per Series A Preferred Share payable on March 31, 2014 with a record date of March 14, 2014; and $0.359375 per Series C Preferred Share payable on March 31, 2014 with a record date of March 14, 2014.

Risks

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

The securities industry and Canaccord's activities are by their very nature subject to a number of inherent risks. Economic conditions, competition and market factors such as volatility in the Canadian and international markets, interest rates, commodity prices, market prices, trading volumes and liquidity will have a significant impact on Canaccord's profitability. An investment in the common or preferred shares of Canaccord involves a number of risks, including market, liquidity, credit, operational, legal and regulatory risks, which could be substantial and are inherent in Canaccord's business. Canaccord is also directly exposed to market price risk, liquidity risk and volatility risk as a result of its principal trading activities in equity securities and to interest rate risk and credit spread risk as a result of its principal trading in fixed income securities. Canaccord 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 Canaccord's market activity and the impact that these factors have on Canaccord's operating results and financial position.

The financial services business is subject to extensive regulation in Canada, the US, the UK and Europe, Singapore, Hong Kong, Australia and elsewhere. Compliance with many of the regulations applicable to Canaccord involves a number of risks, particularly in areas where applicable regulations may be subject to interpretation and change. Changing regulations and interpretations could have a significant impact on Canaccord's business and profitability. The Company has a capital management framework to maintain the level of capital that will meet the Company's regulated subsidiaries' target ratios as set out by the respective regulators, to fund current and future operations, to ensure that the firm is able to meet its financial obligations as they come due, and to support the creation of shareholder value. The regulatory bodies that govern the Company's subsidiaries' use of regulatory capital are listed in Note 20 of Canaccord's 2013 Audited Annual Consolidated Financial Statements.

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

Additional Information

A comprehensive discussion of Canaccord's business, strategies, objectives and risks is available in our Annual Information Form and in the Management's Discussion and Analysis and Audited Annual Consolidated Financial Statements included in our 2013 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, 2013	March 31, 2013
ASSETS			
Current			
Cash and cash equivalents		$ 357,713	$ 491,012
Securities owned	4	1,143,898	924,337
Accounts receivable	6, 16	1,912,423	2,513,958
Income taxes receivable		1,755	—
Total current assets		3,415,789	3,929,307
Deferred tax assets		9,322	12,552
Investments	7	9,491	3,695
Equipment and leasehold improvements	9	50,390	42,979
Intangible assets	10	130,168	130,283
Goodwill	10	507,760	484,686
		$ 4,122,920	$ 4,603,502
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Bank indebtedness		$ 85,080	$ 66,138
Securities sold short	4	816,037	689,020
Accounts payable and accrued liabilities	6, 16	2,052,956	2,726,735
Provisions	18	11,823	20,055
Income taxes payable		—	4,428
Contingent consideration	5	5,988	14,218
Subordinated debt		15,000	15,000
Total current liabilities		2,986,884	3,535,594
Deferred tax liabilities		4,530	2,576
		2,991,414	3,538,170
Shareholders' equity			
Preferred shares	12	205,641	205,641
Common shares	13	647,938	638,456
Contributed surplus		78,616	85,981
Retained earnings		127,297	126,203
Accumulated other comprehensive income (loss)		59,904	(7,118)
Total shareholders' equity		1,119,396	1,049,163
Non-controlling interests		12,110	16,169
Total equity		1,131,506	1,065,332
		$ 4,122,920	$ 4,603,502

See accompanying notes

On behalf of the Board:

PAUL D. REYNOLDS
Director

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, 2013	For the three months ended December 31, 2012	For the nine months ended December 31, 2013	For the nine months ended December 31, 2012
REVENUE					
Commissions and fees		$ 87,581	$ 89,415	$ 259,448	$ 265,687
Investment banking		70,841	40,609	142,957	107,231
Advisory fees		39,758	69,348	105,557	123,545
Principal trading		21,863	18,670	60,286	43,626
Interest		5,704	7,291	18,641	22,441
Other		5,212	4,670	14,607	16,621
		230,959	230,003	601,496	579,151
EXPENSES					
Incentive compensation		114,877	114,137	288,713	293,427
Salaries and benefits		21,350	21,082	65,966	65,697
Trading costs		11,370	10,419	33,673	33,195
Premises and equipment		10,092	9,504	29,250	31,200
Communication and technology		12,345	12,140	34,275	37,725
Interest		3,875	3,981	12,581	11,823
General and administrative		22,077	23,809	63,340	68,782
Amortization		6,750	8,398	19,331	24,289
Development costs		3,803	6,671	16,304	15,811
Restructuring costs		—	6,310	5,486	25,172
Acquisition-related costs		—	431	—	1,719
		206,539	216,882	568,919	608,840
Income (loss) before income taxes		24,420	13,121	32,577	(29,689)
Income taxes (recovery)					
Current	11	1,581	6,760	10	4,462
Deferred	11	4,505	(3,903)	6,430	(8,952)
		6,086	2,857	6,440	(4,490)
Net income (loss) for the period		$ 18,334	$ 10,264	$ 26,137	$ (25,199)
Net income (loss) attributable to:					
CGGI shareholders		$ 17,321	$ 10,880	$ 25,679	$ (23,649)
Non-controlling interests		$ 1,013	$ (616)	$ 458	$ (1,550)
Weighted average number of common shares outstanding (thousands)					
Basic		93,369	92,268	93,863	92,040
Diluted		102,667	102,454	103,193	102,226
Net income (loss) per common share					
Basic	13iii	$ 0.15	$ 0.09	$ 0.18	$ (0.35)
Diluted	13iii	$ 0.14	$ 0.08	$ 0.16	$ (0.35)
Dividend per common share	14	$ 0.05	$ 0.05	$ 0.15	$ 0.15
Dividend per Series A Preferred Share	14	$ 0.34	$ 0.34	$ 1.03	$ 1.03
Dividend per Series C Preferred Share	14	$ 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, 2013	For the three months ended December 31, 2012	For the nine months ended December 31, 2013	For the nine months ended December 31, 2012
Net income (loss) for the period	**$ 18,334**	$ 10,264	**$ 26,137**	$ (25,199)
Other comprehensive income (loss)				
Transfer of net realized gain on disposal of available for sale asset (net of tax: $234)	**—**	—	**—**	(700)
Net change in unrealized gains on translation of foreign operations	**29,617**	10,542	**65,190**	4,917
Comprehensive income (loss) for the period	**$ 47,951**	$ 20,806	**$ 91,327**	$ (20,982)
Comprehensive income (loss) attributable to:				
CGGI shareholders	**$ 47,353**	$ 21,325	**$ 92,701**	$ (19,379)
Non-controlling interests	**$ 598**	$ (519)	**$ (1,374)**	$ (1,603)

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, 2013	December 31, 2012
Preferred shares, opening		$ 205,641	$ 110,818
Shares issued, net of share issuance costs	12	—	97,450
Shares held in treasury	12	—	(2,627)
Preferred shares, closing		205,641	205,641
Common shares, opening		638,456	623,739
Shares issued in connection with share-based payments		16,222	8,639
Acquisition of common shares for long-term incentive plan		(10,726)	(14,872)
Release of vested common shares from employee benefit trust		17,671	16,448
Cancellation of shares in connection with the acquisition of Genuity Capital Markets and other acquisitions		(1,888)	—
Shares purchased in treasury for cancellation through normal course issuer bid (NCIB)		(18,207)	—
Net unvested share purchase loans		6,410	(867)
Common shares, closing		647,938	633,087
Contributed surplus, opening		85,981	68,336
Share-based payments		(7,385)	11,020
Cancellation of shares in connection with the acquisition of Genuity Capital Markets and other acquisitions		1,882	—
Shares purchased in treasury for cancellation through NCIB		1,941	—
Unvested share purchase loans		(3,803)	(7,050)
Contributed surplus, closing		78,616	72,306
Retained earnings, opening		126,203	180,748
Net income (loss) attributable to CGGI shareholders		25,679	(23,649)
Preferred shares dividends	14	(8,802)	(8,832)
Common shares dividends	14	(15,783)	(20,872)
Retained earnings, closing		127,297	127,395
Accumulated other comprehensive (loss) income, opening		(7,118)	8,484
Other comprehensive income attributable to CGGI shareholders		67,022	4,270
Accumulated other comprehensive income, closing		59,904	12,754
Total shareholders' equity		1,119,396	1,051,183
Non-controlling interests, opening		16,169	17,454
Foreign exchange on non-controlling interests		(2,025)	62
Comprehensive loss attributable to non-controlling interests		(1,374)	(1,603)
Dividends paid to non-controlling interests		(660)	—
Non-controlling interests, closing		12,110	15,913
Total equity		$ 1,131,506	$ 1,067,096

See accompanying notes

Unaudited Interim Condensed Consolidated Statements of Cash Flows

For the nine months ended (in thousands of Canadian dollars)	Notes	December 31, 2013	December 31, 2012
OPERATING ACTIVITIES			
Net income (loss) for the period		$ 26,137	$ (25,199)
Items not affecting cash			
Amortization		19,331	24,289
Deferred income tax expense (recovery)		6,430	(8,952)
Share-based compensation expense	15	39,564	46,747
Impairment of property, plant and equipment		—	2,582
Changes in non-cash working capital			
Increase in securities owned		(202,734)	(282,893)
Decrease in accounts receivable		610,031	859,559
(Increase) decrease in income taxes receivable		(11,589)	1,224
Increase in securities sold short		119,790	234,540
Decrease in accounts payable, accrued liabilities and provisions		(684,612)	(918,425)
Cash used by operating activities		(77,652)	(66,528)
FINANCING ACTIVITIES			
Bank indebtedness		18,942	(75,141)
Acquisition of common shares for long-term incentive plan		(10,726)	(14,872)
Purchase of shares for cancellation		(16,266)	—
Cash dividends paid on common shares		(15,744)	(19,646)
Cash dividends paid on preferred shares		(8,841)	(5,835)
Cash dividends paid to non-controlling interests		(660)	—
Repayment of short term credit facility		—	(150,000)
Issuance of preferred shares, net of share issuance costs		—	94,823
Decrease in net vesting of share purchase loans		—	(13,583)
Cash used by financing activities		(33,295)	(184,254)
INVESTING ACTIVITIES			
Investment in Canaccord Genuity (Hong Kong) Limited	8	(699)	—
Investment in Canadian First Financial Holdings Limited (Canadian First)	7	(5,000)	—
Purchase of equipment and leasehold improvements	9	(13,726)	(3,654)
Purchase of intangible assets		(4,809)	—
Contingent consideration paid on the acquisition of Eden Financial Ltd. (Eden)		(9,129)	—
Acquisition of Eden		—	(5,011)
Acquisition of Kenosis Capital Partners		—	(1,182)
Cash used in investing activities		(33,363)	(9,847)
Effect of foreign exchange on cash balances		11,011	2,351
Decrease in cash position		(133,299)	(258,278)
Cash position, beginning of period		491,012	814,238
Cash position, end of period		$ 357,713	$ 555,960
Supplemental cash flow information			
Interest received		$ 23,865	$ 28,788
Interest paid		$ 11,464	$ 10,945
Income taxes paid		$ 7,127	$ 7,504

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. (formerly Canaccord Financial Inc.) (the Company) is a leading independent, full-service investment dealer in Canada with capital markets operations in Canada, the United Kingdom (UK) and Europe, the United States of America (US), Australia, China, Singapore and Barbados. The Company also has wealth management operations in Canada, the UK and 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. On October 1, 2013, Canaccord Financial Inc. was renamed Canaccord Genuity Group Inc.

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. More specifically, 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, 2013 (March 31, 2013 consolidated financial statements) filed on SEDAR on May 21, 2013. All defined terms used herein are consistent with those terms defined in the March 31, 2013 consolidated financial statements.

The unaudited interim condensed consolidated financial statements have been prepared on an accrual basis and are based on the historical cost basis except for investments, securities owned and sold short, and contingent consideration, 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 5, 2014.

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 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, 2013 consolidated financial statements.

FUTURE ACCOUNTING DEVELOPMENTS

There have been no further updates to the future accounting developments disclosed in Note 3 of the March 31, 2013 consolidated financial statements, during the nine months ended December 31, 2013, except for the adoption of certain standards as noted in the following note disclosure.

NOTE 03 Summary of Significant Accounting Policies

There were no significant changes in the accounting policies discussed in Note 4 of the March 31, 2013 consolidated financial statements, during the nine months ended December 31, 2013, except for the following new standards, which were adopted and are effective as of April 1, 2013:

IFRS 10 – "*CONSOLIDATED FINANCIAL STATEMENTS*" (IFRS 10)

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing International Accounting Standards (IAS) 27, "*Consolidated and Separate Financial Statements*" that dealt with consolidated financial statements and SIC-12, "*Consolidation – Special Purpose Entities*". IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. This replaced the previous approach, which emphasized legal control or exposure to risks and rewards, depending on the nature of the entity. The adoption of IFRS 10 had no impact on the entities that are consolidated by the Company.

IFRS 12 – "*DISCLOSURE OF INTERESTS IN OTHER ENTITIES*" (IFRS 12)

IFRS 12 includes the disclosure requirements for subsidiaries and associates and introduces new requirements for unconsolidated structured entities. None of these disclosure requirements are applicable for interim condensed consolidated financial statements, unless significant events and transactions in the interim period require that they be provided. Accordingly, the Company has not made such disclosures. Additional disclosures will be required for the annual consolidated financial statements for the year ending March 31, 2014.

IFRS 13 – "*FAIR VALUE MEASUREMENTS*" (IFRS 13)

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The prospective application of IFRS 13 has not materially impacted the fair value measurements carried out by the Company.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7, "*Financial Instruments: Disclosures*". Some of these disclosures are specifically required for financial instruments by IAS 34, thereby affecting the interim condensed consolidated financial statements. The Company provides these disclosures in Note 5.

IAS 1 – "*PRESENTATION OF FINANCIAL STATEMENTS*" (IAS 1)

Amendments to IAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time are to be presented separately from items that will never be reclassified. There were no presentation changes to items within OCI and net income or loss as a result of the adoption of these amendments to IAS 1. All amounts currently recorded in OCI will be reclassified to profit or loss in subsequent periods.

IAS 19R – "*EMPLOYEE BENEFITS*" (IAS 19R)

Amendments to IAS 19R contain a number of changes to the accounting for employment benefit plans including recognition and disclosure of defined benefit pension plans and clarification on the recognition of post-employment and termination benefits. The amendments did not have an impact on the Company's consolidated financial statements.

NOTE 04 Securities Owned and Securities Sold Short

	December 31, 2013		March 31, 2013	
	Securities owned	Securities sold short	Securities owned	Securities sold short
Corporate and government debt	$ 864,310	$ 708,228	$ 753,256	$ 617,841
Equities and convertible debentures	279,588	107,809	171,081	71,179
	$ 1,143,898	$ 816,037	$ 924,337	$ 689,020

As at December 31, 2013, corporate and government debt maturities range from 2014 to 2097 [March 31, 2013 – 2013 to 2097] and bear interest ranging from 0.0% to 15.0% [March 31, 2013 – 0.0% to 15.0%].

NOTE 05 Financial Instruments

The categories of financial instruments, other than cash and cash equivalents and bank indebtedness, held by the Company at December 31, 2013 are as follows:

	Held for trading	Available for sale	Loans and receivables	Other liabilities	Total
Financial assets					
Securities owned	$ 1,143,898	$ —	$ —	$ —	$ 1,143,898
Accounts receivable from brokers and investment dealers	—	—	1,278,165	—	1,278,165
Accounts receivable from clients	—	—	283,945	—	283,945
RRSP cash balances held in trust	—	—	261,565	—	261,565
Other accounts receivable	—	—	88,748	—	88,748
Investments	—	9,491	—	—	9,491
Total financial assets	$ 1,143,898	$ 9,491	$ 1,912,423	$ —	$ 3,065,812
Financial liabilities					
Securities sold short	$ 816,037	$ —	$ —	$ —	$ 816,037
Accounts payable to brokers and investment dealers	—	—	—	969,834	969,834
Accounts payable to clients	—	—	—	733,047	733,047
Other accounts payable and accrued liabilities	—	—	—	350,075	350,075
Provisions	—	—	—	11,823	11,823
Contingent consideration	—	—	—	5,988	5,988
Subordinated debt	—	—	—	15,000	15,000
Total financial liabilities	$ 816,037	$ —	$ —	$ 2,085,767	$ 2,901,804

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

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, 2013, the Company held the following classes of financial instruments measured at fair value:

		Estimated fair value		
			December 31, 2013	
	December 31, 2013	**Level 1**	**Level 2**	**Level 3**
Securities owned				
Corporate and government debt	**$ 864,310**	**$ 370,092**	**$ 494,218**	**$ —**
Equities and convertible debentures	**279,588**	**254,214**	**12,528**	**12,846**
Securities sold short				
Corporate and government debt	**(708,228)**	**(360,856)**	**(347,372)**	**—**
Equities and convertible debentures	**(107,809)**	**(97,261)**	**(10,548)**	**—**
Investments	**9,491**	**—**	**—**	**9,491**
Contingent consideration[1]	**(5,988)**	**—**	**—**	**(5,988)**

(1) Contingent consideration is settled in cash and is therefore classified as a financial liability measured at fair value, with any subsequent gains or losses recognized in earnings.

As at March 31, 2013, the Company held the following classes of financial instruments measured at fair value:

		Estimated fair value		
	March 31, 2013	Level 1	March 31, 2013 Level 2	Level 3
Securities owned				
Corporate and government debt	$ 753,256	$ 258,188	$ 495,068	$ —
Equities and convertible debentures	171,081	141,062	14,759	15,260
Securities sold short				
Corporate and government debt	(617,841)	(221,125)	(396,716)	—
Equities and convertible debentures	(71,179)	(70,651)	(528)	—
Investments	3,695	—	—	3,695
Contingent consideration[1]	(14,218)	—	—	(14,218)

(1) Contingent consideration is settled in cash and is therefore classified as a financial liability measured at fair value, with any subsequent gains or losses recognized in earnings.

Movement in net Level 3 financial assets

March 31, 2013	$ 4,737
Purchase of Level 3 assets	14,656
Net unrealized loss during the period	(3,073)
Transfer to Level 1 assets	(8,399)
Payment of contingent consideration – Eden Financial Ltd.	8,955
Other	(527)
December 31, 2013	**$ 16,349**

During the nine-month period ended December 31, 2013, there were $8.4 million of Level 3 assets that were transferred to Level 1 as a result of a private company stock that became publicly traded in the UK. There were no transfers between Level 1 and Level 2 fair value measurements. The fair value net unrealized loss of $3.0 million was included as a facilitation loss, which reduced commissions and fees revenue during the nine months ended December 31, 2013.

FAIR VALUE ESTIMATION

Level 2 financial instruments

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

Available for sale investments

Available for sale investments include the Company's investment in Euroclear, which has an estimated fair value of $4.5 million as at December 31, 2013 [March 31, 2013 – $3.7 million]. The current fair value is determined using the carrying value of net assets as a valuation basis as no other observable market data is available.

Available for sale investments also include the Company's investment in Canadian First Financial Holdings Limited, which has an estimated fair value of $5.0 million as at December 31, 2013 [Note 7]. 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.

An increase or decrease of 10% in the fair value of investments would cause an increase or decrease of approximately $0.6 million in other comprehensive income.

Private investments

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, 2013 was $17.5 million [March 31, 2013 – $14.1 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.

Contingent considerations

The Company recognized contingent considerations as a result of its acquisitions of Eden Financial Ltd. and certain assets and liabilities of Kenosis Capital Partners. Management has estimated the fair value of the liability for contingent consideration related to the acquisition of certain assets and liabilities of Kenosis Capital Partners to be $6.0 million [March 31, 2013 – $6.0 million]. The determination of the fair value is based upon estimated discounted cash flows, and the key assumption affecting the fair value is the probability that the performance target will be met. During the three months ended December 31, 2013, the Company paid $9.1 million in contingent consideration as a result of its acquisition of Eden Financial Ltd., of which $8.9 million was previously accrued.

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, 2013	**$ 149,028**	**$ 32,642**	**$ 32,756**	**$ 209,859**
March 31, 2013	168,371	36,710	36,047	199,956

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 to manage foreign exchange risk on pending security settlements in foreign currencies. The fair value of these contracts is nominal due to their short term to maturity. Realized and unrealized gains and losses related to these contracts are recognized in net income (loss) during the reporting period.

Forward contracts outstanding at December 31, 2013:

	Notional amount (millions of USD)	Average price (CAD/USD)	Maturity
To sell US dollars	**$ 2.9**	**$ 1.06**	**January 2, 2014**
To buy US dollars	**$ 1.5**	**$ 1.06**	**January 2, 2014**

Forward contracts outstanding at March 31, 2013:

	Notional amount (millions of USD)	Average price (CAD/USD)	Maturity
To sell US dollars	$ 14.8	$ 1.02	April 1, 2013
To buy US dollars	$ 3.8	$ 1.02	April 1, 2013

The Company's Canadian operations also have a net sell position for pounds sterling (GBP) of £2.2 million with an average price of 1.76 (CAD/GBP) and a maturity date of January 16, 2014. The Company's Canadian operations also have a net buy position for pounds sterling (GBP) of £2.5 million with an average price of 1.76 (CAD/GBP) and a maturity date of February 3, 2014. 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 and Europe trades foreign exchange forward contracts on behalf of its clients, and establishes matching contracts with the counterparties. The Company has no significant net exposure, assuming no counterparty default. The principal currencies of the forward contracts are: the UK pound sterling, the US dollar, or the euro. The weighted average term to maturity is 50 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, 2013. The fair value of the forward contract assets and liabilities is included in the accounts receivable and payable balances.

	December 31, 2013			March 31, 2013		
	Assets	Liabilities	Notional amount	Assets	Liabilities	Notional amount
Foreign exchange forward contracts	$ 2,384	$ (2,402)	$ 326,144	$ 4,483	$ (4,483)	$ 352,205

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, 2013, the notional amount of the bond futures contracts outstanding was long $0.4 million [March 31, 2013 – nil].

Beginning in the second quarter of fiscal 2014, the Company's Canadian operations began trading US Treasury futures. The Company's Canadian operations trade in US Treasury futures in an attempt to mitigate interest rate risk, yield curve risk and liquidity risk. At December 31, 2013, the notional amount of US Treasury futures contracts outstanding held in a short position was $(5.2) million (US$(4.9) million) [March 31, 2013 – 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, 2013	March 31, 2013
Brokers and investment dealers	$ 1,278,165	$ 1,773,043
Clients	283,945	320,564
RRSP cash balances held in trust	261,565	327,173
Other	88,748	93,178
	$ 1,912,423	$ 2,513,958

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2013	March 31, 2013
Brokers and investment dealers	$ 969,834	$ 1,473,058
Clients	733,047	1,016,297
Other	350,075	237,380
	$ 2,052,956	$ 2,726,735

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

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

Amounts due from and to clients are due by the settlement date of the trade transaction. Margin loans are due on demand and are collateralized by the assets in the client's account. Interest on margin loans and on amounts due to clients is based on a floating rate [December 31, 2013 – 6.00% to 6.25% and 0.00% to 0.05%, respectively; March 31, 2013 – 6.00% to 6.25% and 0.00% to 0.05%, respectively].

As at December 31, 2013, the allowance for doubtful accounts was $13.8 million [March 31, 2013 – $14.0 million].

NOTE 07 Investments

During the nine months ended December 31, 2013, the Company invested $5.0 million in the common shares of Canadian First Financial Holdings Limited, a private company that has been established as a Canadian retail financial services organization [see Note 5].

NOTE 08 Business Combination

On July 25, 2013, the Company acquired the remaining 50% ownership of Canaccord Genuity (Hong Kong) Limited (CGHKL) for cash consideration of $0.7 million to now own 100% of CGHKL. The fair value of the net assets acquired approximates the cash consideration. The Company previously already held a 50% beneficial interest in CGHKL through its ownership of Canaccord Financial Group (Australia) Pty Ltd. CGHKL is licensed with the Securities and Futures Commission in Hong Kong.

NOTE 09 Equipment and Leasehold Improvements

During the nine months ended December 31, 2013, equipment and leasehold improvements increased by $7.4 million to $50.4 million compared to $43.0 million at March 31, 2013. The increase was net of $8.8 million of accumulated amortization of equipment and leasehold improvements. The increase in equipment and leasehold improvements was a result of additions in respect of our UK and Europe and Canadian operations, as well as an increase due to foreign exchange translation of the equipment and leasehold improvements held by certain of our foreign subsidiaries.

NOTE 10 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, 2013	March 31, 2013	**December 31, 2013**	March 31, 2013	**December 31, 2013**	March 31, 2013
Canaccord Genuity						
Canada	**$ 44,930**	$ 44,930	**$ 242,074**	$ 242,074	**$ 287,004**	$ 287,004
UK and Europe	**—**	—	**91,272**	80,136	**91,272**	80,136
US	**—**	—	**7,654**	7,313	**7,654**	7,313
Other Foreign Locations (China)	**—**	—	**10,390**	10,365	**10,390**	10,365
Other Foreign Locations (Australia)	**180**	202	**20,881**	23,309	**21,061**	23,511
Other Foreign Locations (Singapore)	**—**	—	**30,375**	29,208	**30,375**	29,208
Canaccord Genuity Wealth Management						
UK and Europe (Channel Islands)	**—**	—	**94,690**	83,138	**94,690**	83,138
UK and Europe	**—**	—	**10,424**	9,143	**10,424**	9,143
	$ 45,110	$ 45,132	**$ 507,760**	$ 484,686	**$ 552,870**	$ 529,818

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, 2013.

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.

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 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 CGU for the purposes of these calculations was 12.5% in respect of Canada and the UK and Europe [March 31, 2013 – 12.5%], 14.0% in respect of Australia, Singapore and the US [March 31, 2013 – 14.0%] and 20.0% in respect of China [March 31, 2013 – 20.0%]. 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 January 1, 2015 (the Forecast Period) which range from 9.0% to 13.9% [March 31, 2013 – 9.0% to 16.0%] 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 and Europe – 10.0%, (iii) US – 10.0%, (iv) Other Foreign Locations – 10.5% to 13.9%; and (b) Canaccord Genuity Wealth Management UK and Europe – 9.0%. Management estimates in respect of year-over-year increases in revenue for the 12-month period ending on December 31, 2014 (the commencement date for the Forecast Period) are in the range of (2.0)% to 7.0% for each CGU except for Other Foreign Locations. CGUs in Other Foreign Locations are in earlier stages of development and, as such, with the revenue for the most recent 12-month period at relatively low base levels, revenue estimates for the 12-month period ending on December 31, 2014 for those CGUs range from 1.0 times to 7.0 times the revenue recorded for the 12-month period ended December 31, 2013. The terminal growth rate used for CGUs located in Canada and the UK and Europe was 3.0% [March 31, 2013 – 3.0%] and for CGUs in all other locations was 5.0% [March 31, 2013 – 5.0%].

Sensitivity testing was conducted as a part of the December 31, 2013 interim impairment test of goodwill and indefinite life intangible assets. The sensitivity testing includes assessing the impact that reasonably possible declines in growth rates and increases in the discount rate would have on the recoverable amount of the CGUs, with other assumptions being held constant.

The Company's impairment testing has determined that the recoverable amounts for Other Foreign Locations CGUs (Australia, Singapore and China) exceed their carrying amounts by $12.1 million, $10.3 million and $2.4 million, respectively, and consequently, a reasonably possible decline in the growth rates or increase in the discount rates may result in an impairment charge in respect of the goodwill allocated to any of these CGUs. An increase of 1.6 percentage points in the discount rate for Australia (from 14.0% to 15.6%), an increase of 2.6 percentage points in the discount rate for Singapore (from 14.0% to 16.6%) and an increase of 3.2 percentage points in the discount rate for China (from 20.0% to 23.2%); a reduction in the compound annual growth rate of 3.4 percentage points for Australia (from 13.9% to 10.5%), a reduction in the compound annual growth rate of 5.1 percentage points for Singapore (from 10.5% to 5.4%) and a reduction in the compound annual growth rate of 6.1 percentage points for China (from 11.0% to 4.9%); or a decrease in the revenue estimates for the 12-month period ending December 31, 2014 to the range of 1.0 times to 6.0 times the revenue recorded in the 12-month period ended December 31, 2013 would result in the recoverable amount being equal to the carrying value.

The FVLCS calculations for purposes of the goodwill impairment testing described herein are based on inputs that have a significant effect on the FVLCS calculation and that are not based on observable market data. As such, these assets would fall within the Level 3 fair value hierarchy (as described in Note 5).

NOTE 11 Income Taxes

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

	For the three months ended		For the nine months ended	
	December 31, 2013	December 31, 2012	**December 31, 2013**	December 31, 2012
Income taxes at the statutory rate (F2014: 26.0%; F2013: 25.0%)	**$ 6,349**	$ 3,280	**$ 8,470**	$ (7,422)
Difference in tax rates in foreign jurisdictions	**244**	(1,134)	**304**	(3,964)
Non-deductible items affecting the determination of taxable income	**886**	28	**2,297**	2,866
Change in accounting and tax base estimate	**169**	(1,276)	**734**	(2,224)
Change in deferred tax asset – reversal period of temporary difference	**(274)**	553	**(1,136)**	(67)
Tax losses and other temporary differences not recognized (utilization of tax losses previously not recognized)	**(1,288)**	1,406	**(4,229)**	6,321
Income tax expense (recovery) – current and deferred	**$ 6,086**	$ 2,857	**$ 6,440**	$ (4,490)

NOTE 12 Preferred Shares

	December 31, 2013		March 31, 2013	
	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 14 of the March 31, 2013 consolidated financial statements.

NOTE 13 Common Shares

	December 31, 2013		March 31, 2013	
	Amount	**Number of shares**	Amount	Number of shares
Issued and fully paid	**$ 714,528**	**101,818,941**	$ 717,908	102,896,172
Shares repurchased through NCIB for cancellation	**(495)**	**(70,712)**	—	—
Unvested share purchase loans	**(27,600)**	**(4,093,552)**	(34,012)	(4,872,547)
Held for long-term incentive plan	**(38,495)**	**(4,742,713)**	(45,440)	(4,961,829)
	$ 647,938	**92,911,964**	$ 638,456	93,061,796

[i] AUTHORIZED

Unlimited common shares without par value

[ii] ISSUED AND FULLY PAID

	Number of shares	Amount
Balance, March 31, 2013	102,896,172	$ 717,908
Shares issued in connection with share-based payment plans [note 15]	1,445,434	12,940
Shares issued in connection with retention plan [note 15]	160,656	2,048
Shares issued in connection with replacement plans [note 15]	134,447	1,233
Shares cancelled	(2,817,768)	(19,601)
Balance, December 31, 2013	**101,818,941**	**$ 714,528**

In August 2012, the Company filed a notice for a normal course issuer bid (NCIB) to provide for the ability to purchase, at the Company's discretion, up to 3,000,000 of its common shares through the facilities of the TSX from August 13, 2012 to August 12, 2013. The purpose of the purchase of common shares under the NCIB is to enable the Company to acquire shares for cancellation. The shares that might have been purchased represented 2.93% of the Company's common shares outstanding at the time of the notice. There were 924,040 shares purchased through the NCIB between August 13, 2012 and August 12, 2013 and cancelled.

On August 6, 2013, the Company filed a notice to renew the NCIB to provide the Company with the choice to purchase up to a maximum of 5,136,948 of its common shares during the period from August 13, 2013 to August 12, 2014 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 represent 5.0% of the Company's outstanding common shares at the time of the notice. There were 1,694,248 shares purchased through the NCIB between August 13, 2013 and December 31, 2013, of which 70,712 shares are held in treasury to be cancelled.

[iii] EARNINGS (LOSS) PER COMMON SHARE

	For the three months ended		For the nine months ended	
	December 31, 2013	December 31, 2012	**December 31, 2013**	December 31, 2012
Basic earnings (loss) per common share				
Net income (loss) attributable to CGGI shareholders	**$ 17,321**	$ 10,880	**$ 25,679**	$ (23,649)
Preferred shares dividends	**(2,921)**	(2,998)	**(8,802)**	(8,832)
Net income (loss) available to common shareholders	**14,400**	7,882	**16,877**	(32,481)
Weighted average number of common shares (number)	**93,369,398**	92,268,072	**93,863,278**	92,039,724
Basic earnings (loss) per share	**$ 0.15**	$ 0.09	**$ 0.18**	$ (0.35)
Diluted earnings (loss) per common share				
Net income (loss) available to common shareholders	**14,400**	7,882	**16,877**	(32,481)
Weighted average number of common shares (number)	**93,369,398**	92,268,072	**93,863,278**	92,039,724
Dilutive effect of unvested shares (number)	**4,093,552**	4,877,981	**4,093,551**	4,877,981
Dilutive effect of unvested shares purchased by employee benefit trust (number) [note 15]	**4,905,886**	5,300,279	**4,961,302**	5,269,567
Dilutive effect of share issuance commitment in connection with long-term incentive plan (number) [note 15]	**298,549**	8,021	**274,522**	38,584
Adjusted weighted average number of common shares (number)	**102,667,385**	102,454,353	**103,192,653**	102,225,856
Diluted earnings (loss) per common share	**$ 0.14**	$ 0.08	**$ 0.16**	$ (0.35)

NOTE 14 Dividends

COMMON SHARES DIVIDENDS

The Company declared the following common shares dividends during the nine months ended December 31, 2013:

Record date	Payment date	Cash dividend per common share	Total common dividend amount
May 31, 2013	June 10, 2013	$ 0.05	$ 5,177
August 30, 2013	September 10, 2013	$ 0.05	$ 5,132
November 22, 2013	December 10, 2013	$ 0.05	$ 5,130

On February 5, 2014, the Board of Directors approved a cash dividend of $0.05 per common share payable on March 10, 2014 to common shareholders of record as at February 21, 2014 [Note 19].

PREFERRED SHARES DIVIDENDS

The Company declared the following preferred shares dividends during the nine months ended December 31, 2013:

Record date	Payment date	Cash dividend per Series A Preferred Share	Cash dividend per Series C Preferred Share	Total preferred dividend amount
June 21, 2013	July 2, 2013	$ 0.34375	$ 0.359375	$ 2,998
September 13, 2013	September 30, 2013	$ 0.34375	$ 0.359375	$ 2,998
December 20, 2013	December 31, 2013	$ 0.34375	$ 0.359375	$ 2,998

On February 5, 2014, the Board also approved a cash dividend of $0.34375 per Series A Preferred Share payable on March 31, 2014 to Series A Preferred shareholders of record as at March 14, 2014 [Note 19].

On February 5, 2014, the Board also approved a cash dividend of $0.359375 per Series C Preferred Share payable on March 31, 2014 to Series C Preferred shareholders of record as at March 14, 2014 [Note 19].

NOTE 15 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 (the Trust) has been established and either (a) the Company will fund the Trust with cash, which will be used by the trustee to purchase on the open market common shares of the Company that will be held in trust by the trustee until the RSUs vest or (b) the Company will issue common shares from treasury to participants following vesting of the RSUs. For employees in the US and the UK, the Company will allot common shares at the time of each RSU award, and these shares will be issued from treasury at the time they vest for each participant.

The fair value of the RSUs at the measurement date is based on the volume weighted average price at the grant date and is amortized on a graded basis over the vesting period of three years. The weighted average fair value of RSUs granted during the period ended December 31, 2013 was $6.09 [December 31, 2012 – $6.28].

	Number
Awards outstanding, March 31, 2013	9,128,169
Grants	5,620,666
Vested	(3,422,082)
Forfeited	(624,930)
Awards outstanding, December 31, 2013	**10,701,823**

	Number
Common shares held by the Trust, March 31, 2013	4,961,829
Acquired	1,757,532
Released on vesting	(1,976,648)
Common shares held by the Trust, December 31, 2013	**4,742,713**

[ii] SHARE-BASED COMPENSATION EXPENSE

	For the three months ended		For the nine months ended	
	December 31, 2013	December 31, 2012	**December 31, 2013**	December 31, 2012
Long-term incentive plan	**$ 5,507**	$ 8,745	**$ 22,897**	$ 25,807
Forgivable common share purchase loans	**4,047**	4,357	**8,160**	11,692
Share-based payment expense related to acquisition of Collins Stewart Hawkpoint plc	**1,207**	1,359	**4,158**	1,359
Replacement plans	**802**	1,787	**2,600**	5,324
Share options	**132**	213	**607**	769
Deferred share units	**40**	80	**36**	(9)
Retention shares	**—**	905	**—**	1,805
Other	**392**	—	**1,106**	—
Total share-based compensation expense	**$ 12,127**	$ 17,446	**$ 39,564**	$ 46,747

NOTE 16 Related Party Transactions

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

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

	December 31, 2013	March 31, 2013
Accounts receivable	**$ 281**	$ —
Accounts payable and accrued liabilities	**4,062**	1,206

NOTE 17 Segmented Information

The Company operates in two industry segments as follows:

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

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

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

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

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

	For the three months ended							
	December 31, 2013				December 31, 2012			
	Canaccord Genuity	**Canaccord Genuity Wealth Management**	**Corporate and Other**	**Total**	Canaccord Genuity	Canaccord Genuity Wealth Management	Corporate and Other	Total
Revenues, excluding interest revenue	**$ 169,052**	**$ 52,390**	**$ 3,813**	**$ 225,255**	$ 162,753	$ 57,087	$ 2,872	$ 222,712
Interest revenue	**2,182**	**2,347**	**1,175**	**5,704**	2,872	2,756	1,663	7,291
Expenses, excluding undernoted	**133,154**	**46,254**	**12,703**	**192,111**	128,598	47,054	15,439	191,091
Amortization	**3,747**	**2,525**	**478**	**6,750**	5,008	2,892	498	8,398
Development costs	**1,080**	**2,350**	**373**	**3,803**	2,806	3,377	488	6,671
Interest expense	**3,189**	**127**	**559**	**3,875**	3,511	89	381	3,981
Restructuring costs	**—**	**—**	**—**	**—**	5,276	1,034	—	6,310
Acquisition-related costs	**—**	**—**	**—**	**—**	—	431	—	431
Income (loss) before intersegment allocations and income taxes	**30,064**	**3,481**	**(9,125)**	**24,420**	20,426	4,966	(12,271)	13,121
Intersegment allocations	**2,156**	**6,582**	**(8,738)**	**—**	848	10,249	(11,097)	—
Income (loss) before income taxes	**$ 27,908**	**$ (3,101)**	**$ (387)**	**$ 24,420**	$ 19,578	$ (5,283)	$ (1,174)	$ 13,121

	For the nine months ended							
	December 31, 2013				December 31, 2012			
	Canaccord Genuity	**Canaccord Genuity Wealth Management**	**Corporate and Other**	**Total**	Canaccord Genuity	Canaccord Genuity Wealth Management	Corporate and Other	Total
Revenues, excluding interest revenue	**$ 421,861**	**$ 151,419**	**$ 9,575**	**$ 582,855**	$ 379,283	$ 163,603	$ 13,824	$ 556,710
Interest revenue	**7,270**	**7,381**	**3,990**	**18,641**	7,753	9,080	5,608	22,441
Expenses, excluding undernoted	**348,346**	**133,929**	**32,942**	**515,217**	348,996	142,188	38,842	530,026
Amortization	**10,757**	**7,216**	**1,358**	**19,331**	15,971	7,053	1,265	24,289
Development costs	**7,590**	**7,533**	**1,181**	**16,304**	6,989	7,338	1,484	15,811
Interest expense	**10,886**	**389**	**1,306**	**12,581**	10,292	245	1,286	11,823
Restructuring costs	**5,486**	**—**	**—**	**5,486**	9,671	14,601	900	25,172
Acquisition-related costs	**—**	**—**	**—**	**—**	388	1,331	—	1,719
Income (loss) before intersegment allocations and income taxes	**46,066**	**9,733**	**(23,222)**	**32,577**	(5,271)	(73)	(24,345)	(29,689)
Intersegment allocations	**6,292**	**18,085**	**(24,377)**	**—**	3,056	32,120	(35,176)	—
Income (loss) before income taxes	**$ 39,774**	**$ (8,352)**	**$ 1,155**	**$ 32,577**	$ (8,327)	$ (32,193)	$ 10,831	$ (29,689)

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

	For the three months ended		For the nine months ended	
	December 31, 2013	December 31, 2012	**December 31, 2013**	December 31, 2012
Canada	**$ 73,701**	$ 115,470	**$ 196,892**	$ 272,839
UK and Europe	**92,725**	69,040	**228,958**	177,553
United States	**48,558**	38,195	**146,316**	109,897
Other Foreign Locations	**15,975**	7,298	**29,330**	18,862
	$ 230,959	$ 230,003	**$ 601,496**	$ 579,151

NOTE 18 Provisions and Contingencies

PROVISIONS

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. At each reporting date, the Company assesses the adequacy of its pre-existing provisions and adjusts the amounts as necessary. The following is a summary of the changes during the nine months ended December 31, 2013:

	Legal provisions	Restructuring provisions	Total provisions
Balance, March 31, 2013	$ 10,179	$ 9,876	$ 20,055
Additions	935	—	935
Utilized	(367)	(2,666)	(3,033)
Balance, June 30, 2013	10,747	7,210	17,957
Additions	655	5,486	6,141
Utilized	(3,323)	(5,709)	(9,032)
Balance, September 30, 2013	8,079	6,987	15,066
Additions	1,205	—	1,205
Utilized	(1,989)	(2,269)	(4,258)
Recovered	(190)	—	(190)
Balance, December 31, 2013	**$ 7,105**	**$ 4,718**	**$ 11,823**

Commitments, litigation proceedings and contingent liabilities

During the period ended December 31, 2013, there were no material changes to the Company's commitments or contingencies from those described in Notes 22 and 23 of the March 31, 2013 consolidated financial statements.

NOTE 19 Subsequent Event

DIVIDENDS

On February 5, 2014, the Board of Directors approved the following cash dividends: $0.05 per common share payable on March 10, 2014 to common shareholders with a record date of February 21, 2014; $0.34375 per Series A Preferred Share payable on March 31, 2014 with a record date of March 14, 2014; and $0.359375 per Series C Preferred Share payable on March 31, 2014 with a record date of March 14, 2014.

Shareholder Information

Corporate Headquarters

STREET ADDRESS

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

MAILING ADDRESS

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

Stock Exchange Listing

Common shares:
TSX: CF
LSE: CF.

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

Corporate Website

www.canaccordgenuity.com

General Shareholder Inquiries and Information

INVESTOR RELATIONS

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The Canaccord Financial 2013 Annual Report is available on our website at www.canaccordgenuitygroup.com. For a printed copy please contact the Investor Relations department.

Fiscal 2014 Expected Dividend[1] and Earnings Release Dates

	Expected earnings release date	Preferred dividend record date	Preferred dividend payment date	Common dividend record date	Common dividend payment date
Q3/14	February 5, 2014	March 14, 2014	March 31, 2014	February 21, 2014	March 10, 2014
Q4/14	June 4, 2014	June 13, 2014	June 30, 2014	June 20, 2014	July 2, 2014

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

Shareholder Administration

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

COMPUTERSHARE INVESTOR SERVICES INC.

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

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

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.