CANACCORD Genuity

SECOND QUARTER

Fiscal 2017 Report to Shareholders

To us there are no foreign markets.™

Canaccord Genuity Group Inc. Reports Second Quarter Fiscal 2017 Results

Excluding significant items, second quarter loss per common share of $0.03(1)

Wealth management operations continue to deliver stable earnings growth, helping to mitigate impact of subdued global capital markets activity

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

TORONTO, November 1, 2016 – During the second quarter of fiscal 2017, the quarter ended September 30, 2016, Canaccord Genuity Group Inc. (Canaccord Genuity, the Company, TSX: CF) generated $193.6 million in revenue. Excluding significant items(1), the Company recorded net income of $2.0 million representing a net loss of $2.5 million attributable to common shareholders(2) (a loss per common share of $0.03). Including all significant items, on an IFRS basis, the Company recorded net income of $0.2 million representing a net loss attributable to common shareholders(2) of $4.2 million (a loss per common share of $0.05).

"While the impact of the prolonged period of market uncertainty before and after the Brexit vote and leading up to the US federal election is evident in our second quarter results, we are encouraged by improving global activity levels in our core focus areas and by exceptional performance from our Australian investment banking business," said Dan Daviau, President & CEO of Canaccord Genuity Group Inc. "During the quarter we made significant progress to advance our global wealth management strategy, which we expect will directly contribute long-term earnings stability."

The Company also announces changes within its executive leadership team, in combination with a clear strategy for the successful transition of responsibilities.

Brad Kotush, Executive Vice President, Chief Financial Officer & Chief Risk Officer has decided to leave Canaccord Genuity Group Inc., concluding eighteen years of dedicated service. Brad has agreed to stay with the Company until the release of our third quarter results in February 2017 to ensure an orderly transition. Following Brad's departure, Don MacFayden, Senior Vice President, Finance and Chief Financial Officer of Canaccord Genuity Inc., our US subsidiary, will assume the role of Executive Vice President and Chief Financial Officer. Adrian Pelosi, Senior Vice President Risk Management & Treasurer will become Executive Vice President, Chief Risk Officer and Treasurer. Nick Russell, Chief Financial Officer of Canaccord Genuity Limited, our UK & Europe subsidiary, will assume the expanded global position of Senior Vice President, Finance.

"I would like to thank Brad for his commitment and many contributions to Canaccord Genuity Group and its employees. Since joining the firm in 1998, Brad played a vital role in the numerous significant acquisitions and financings that led to the development of our global platform," said Dan Daviau, President & CEO of Canaccord Genuity Group Inc. "Brad has been a good partner and he has built a strong and globally integrated finance and risk team, and I am confident that the professionals we have selected as his successors will transition seamlessly. On behalf of my partners and the Board of Directors, I wish Brad continued success in his future endeavours."

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Don MacFayden is a CPA, CA and first joined one of Canaccord Genuity Group's predecessor firms in 1986. During that time he has been a significant contributor to the Group's growth. In addition to his current role as CFO of our U.S. operations, he has been a key member of the Group's internal and external financial reporting and tax team for many years.

Adrian Pelosi joined the firm in 2007 and since 2008 has served in a variety of roles of increasing responsibility within the firm's Risk Management division. He has had Group Board level reporting responsibilities since 2010 and in addition to his risk management duties, has served as Senior Vice President Internal Audit and currently serves as Group Treasurer. Adrian is a CFA Charterholder and a Certified Risk Manager (CRM).

Nick Russell has gained significant experience in the finance divisions of European and North American investment banks since he began his career in 1998. He has an FCCA designation and he became Chief Financial Officer of the firm's UK & Europe capital markets operations in 2008. Following the successful acquisition of Collins Stewart Hawkpoint plc in 2012, his role expanded to include responsibility for operations, accounting, tax, regulation and risk for Canaccord Genuity Limited.

Second Quarter of Fiscal 2017 vs. Second Quarter of Fiscal 2016

- Revenue of $193.6 million, an increase of 1.6% or $3.0 million from $190.6 million
- Excluding significant items, expenses of $190.7 million, an increase of 2.4% or $4.5 million from $186.2 million(1)
- Expenses of $192.8 million, an increase of 2.0% or $3.7 million from $189.1 million
- Excluding significant items, loss per common share of $0.03 compared to a loss per common share of $0.01(1)
- Excluding significant items, net income of $2.0 million compared to net income of $1.9 million(1)
- Net income of $0.2 million compared to a net loss of $0.4 million
- Loss per common share of $0.05 compared to a loss per common share of $0.03

Second Quarter of Fiscal 2017 vs First Quarter of Fiscal 2017

- Excluding significant items, revenue of $193.6 million, a decrease of 5.6% or $11.4 million from $205.0 million(1)
- Excluding significant items, expenses of $190.7 million, a decrease of 1.7% or $3.2 million from $193.9 million(1)
- Revenue of $193.6 million, a decrease of 6.1% or $12.6 million from $206.2 million
- Expenses of $192.8 million, a decrease of 1.7% or $3.4 million from $196.2 million
- Excluding significant items, loss per common share of $0.03 compared to earnings per common share of $0.05(1)
- Excluding significant items, net income of $2.0 million compared to net income of $8.1 million(1)
- Net income of $0.2 million compared to net income of $7.5 million
- Loss per common share of $0.05 compared to earnings per common share of $0.04

Year-to-Date Fiscal 2017 vs. Year-to-Date Fiscal 2016 (Six months Ended September 30, 2016 vs. Six Months Ended September 30, 2015)

- Excluding significant items, revenue of $398.6 million, a decrease of 1.6% or $6.5 million from $405.1 million(1)
- Excluding significant items, expenses of $384.6 million, a decrease of 0.2% or $0.7 million from $385.4 million(1)
- Revenue of $399.8 million, a decrease of 1.3% or $5.3 million from $405.1 million
- Expenses of $389.0 million, a decrease of 0.5% or $2.1 million from $391.1 million
- Excluding significant items, diluted EPS of $0.02 compared to diluted EPS of $0.09(1)
- Excluding significant items, net income of $10.1 million compared to net income of $15.3 million(1)
- Net income of $7.7 million compared to net income of $10.5 million
- Loss per common share of $0.01 compared to diluted EPS of $0.04

Financial Condition at end of Second Quarter Fiscal 2017 vs. Fourth Quarter Fiscal 2016

- Cash and cash equivalents balance of $317.5 million, a decrease of $110.8 million from $428.3 million
- Working capital of $385.3 million, an increase of $4.0 million from $381.3 million
- Total shareholders' equity of $727.9 million, a decrease of $22.0 million from $749.9 million
- Book value per diluted common share of $4.70, a decrease of $0.29 from $4.99(3)
- On November 1, 2016, the Board of Directors considered the Company's dividend policy in the context of the market environment and the Company's business activity and approved a continued suspension of the quarterly common dividend. This suspension will be reviewed quarterly and a determination will be made on the basis of business conditions and profitability.
- On November 1, 2016, the Board of Directors approved a cash dividend of $0.24281 per Series A Preferred Share payable on January 3, 2017 with a record date of December 23, 2016, and a cash dividend of $0.359375 per Series C Preferred Share payable on January 3, 2017 to Series C Preferred shareholders of record as at December 23, 2016.

Summary of Operations

CORPORATE

- On August 11, 2016, Canaccord Genuity Group Inc. announced the filing of a normal course issuer bid (NCIB) to purchase up to a maximum of 5,587,378 of its common shares in accordance with the requirements of the TSX through the facilities of the TSX and on alternative trading systems during the period from August 15, 2016 to August 14, 2017. The purpose of any purchase under this program is to enable the Company to acquire shares for cancellation. The maximum number of shares that may be purchased represented 5.0% of the Company's outstanding common shares at the time of filing the NCIB. There have been no shares purchased under the NCIB during the six months ended September 30, 2016.
- On September 1, 2016, Canaccord Genuity Group Inc. announced that the dividend rate on its Cumulative 5-Year Rate Reset First Preferred Shares, Series A (the "Series A Preferred Shares") for the period from October 1, 2016 to September 30, 2021 would be 3.885%
- On September 16, 2016, Canaccord Genuity Group Inc. announced that the number of Series A Preferred Shares tendered for conversion into Cumulative Floating Rate First Preferred Shares, Series B (the "Series B Preferred Shares") did not meet the minimum required and, accordingly, no Series B Preferred Shares will be issued
- On September 21, 2016, Canaccord Genuity Group Inc. announced a $60 million private placement of 6.50% convertible unsecured senior subordinated debentures, the proceeds of which will be used to fund growth in the Company's wealth management business in Canada and for general corporate purposes. Closing was completed on October 28, 2016.

CAPITAL MARKETS

- Canaccord Genuity participated in 78 investment banking transactions globally, raising total proceeds of C$9.3 billion(4) during fiscal Q2/17
- Canaccord Genuity led or co-led 26 transactions globally, raising total proceeds of C$0.7 billion(4) during fiscal Q2/17
- Significant investment banking transactions for Canaccord Genuity during fiscal Q2/17 include:
  - US$329.9 million Follow-on Offering for Shopify, Inc. on NYSE & TSX
  - US$275 million for Kenmare Resources plc on the LSE and ISE
  - US$201 million Follow-on Offering for Sage Therapeutics on NASDAQ
  - £113.4 million for HICL Infrastructure Company Limited on the LSE
  - US$151.5 million for Exact Sciences Corporation on NASDAQ
  - US$75.4 million Follow-on Offering for Aquinox Pharmaceuticals, Inc. on NASDAQ
  - £62.6 million for The Renewables Infrastructure Group on the LSE
  - AUD$100.6 million for Metals X Limited on the ASX
  - AUD$80.0 million for Sundance Energy Australia Limited on the ASX
  - C$65.7 million for Belo Sun Mining Corp. on the TSX
  - £27.0 million for Stride Gaming plc on the LSE
  - Two transactions totaling C$52.3 million for Osisko Mining Inc. on the TSX
  - AUD$50.0 million for Kogan.com Limited on the ASX
  - US$41.2 million Initial Public Offering for Tactile Systems Technology, Inc. on NASDAQ
  - €30.0 million for Sirius Real Estate Limited on AIM and AltX on the JSE
  - C$40.3 million for Automotive Properties REIT on the TSX
  - US$34.5 million Follow-on Offering for Avinger, Inc. on NASDAQ
  - C$37.3 million for Pure Multi-Family REIT LP on the TSXV
  - Two transactions totaling C$38 million for Aurora Cannabis Inc. on the CNQ
  - US$30.3 million Initial Public Offering for Gemphire Therapeutics, Inc. on NASDAQ
  - US$25.9 million Follow-on Offering for Sequans Communications SA on NYSE
  - AUD$28.0 million for Osprey Medical Inc. on the ASX
  - AUD$25.0 million for Blackham Resources Limited on the ASX
  - AUD$21.6 million for Vimy Resources Limited on the ASX
- In Canada, Canaccord Genuity participated in raising $240.1 million for government and corporate bond issuances during fiscal Q2/17
- Canaccord Genuity generated advisory revenues of $17.8 million during fiscal Q2/17, a decrease of $26.1 million or 59.5% compared to the same quarter last year
- During fiscal Q2/17, significant M&A and advisory transactions included:
  - General Mining Corporation Limited on its merger with Galaxy Resources Limited
  - Stride Gaming on its £70.2 million acquisition of select Tarco assets, Netboost Media Limited, and 8Ball Games Limited
  - Areva SA on the sale of Canberra to Mirion Technologies
  - Financial advisor to Texa on its sale to Naxicap
  - Merit Medical Systems, Inc. on its US$97.5 million acquisition of DFINE, Inc.
  - BioD, LLC, on its US$21.3 million sale to Derma Sciences, Inc., with a potential transaction value of US$77.8 million
  - Guestlogix Inc. on its restructuring and emergence from creditor protection under CCAA
  - Prism Medical on its $81 million sale to Handicare Group AB

- Paysafe Group plc on its C$40 million acquisition of Income Access Group
- WesternOne Inc. on the 8% Extendible Convertible Unsecured Subordinated Debentures
- Mines Management, Inc. on its US$46 million sale to Hecla Mining Company

CANACCORD GENUITY WEALTH MANAGEMENT (GLOBAL)

- Globally, Canaccord Genuity Wealth Management generated $65.2 million in revenue in Q2/17
- Assets under administration in Canada and assets under management in the UK & Europe and Australia were $34.4 billion at the end of Q2/17[(3)], an increase of 4.2% from $33.0 billion at the end of the previous quarter and an increase of 3.6% from $33.2 billion at the end of fiscal Q2/16

CANACCORD GENUITY WEALTH MANAGEMENT (NORTH AMERICA)

- Canaccord Genuity Wealth Management (North America) generated $29.7 million in revenue and, after intersegment allocations and before taxes, recorded income of $0.6 million in Q2/17
- Assets under administration in Canada were $10.3 billion as at September 30, 2016 an increase of 5.3% from $9.8 billion at the end of the previous quarter and an increase of 9.0% from $9.5 billion at the end of fiscal Q2/16[(3)]
- Assets under management in Canada (discretionary) were $1.22 billion as at September 30, 2016, a decrease of 3.9% from $1.27 billion at the end of the previous quarter and a decrease of 10.4% from $1.36 billion at the end of fiscal Q2/16[(3)]
- Canaccord Genuity Wealth Management had 139 Advisory Teams[(5)] at the end of fiscal Q2/17, an increase of one Advisory Team from June 30, 2016 and a decrease of two from September 30, 2015

CANACCORD GENUITY WEALTH MANAGEMENT (UK & EUROPE)

- Wealth management operations in the UK & Europe generated $34.0 million in revenue and, after intersegment allocations, and excluding significant items, recorded net income of $7.6 million before taxes in Q2/17[(1)]
- Assets under management (discretionary and non-discretionary) were $23.2 billion (£13.6 billion) as at September 30, 2016, an increase of 3.6% from $22.4 billion (£12.9 billion) at the end of the previous quarter and an increase of 1.1% from $22.9 billion (£11.4 billion) at September 30, 2015[(3)]. In local currency (GBP), assets under management at September 30, 2016 increased by 6.2% compared to June 30, 2016 and 20.1% compared to Q2/16.

In addition to the changes described above and in connection with the continuing development of the Company's wealth management business and the Company's ongoing initiatives to reduce future operating costs, the Company expects to record certain non-recurring charges in its third quarter of fiscal 2017 related to costs associated with the rationalization of its office space in Toronto, costs associated with the transition of new investment advisors onto the Company's wealth management platform in Canada and charges in connection with the acceleration of certain stock-based awards and certain contractual compensation payments. The aggregate of these costs is expected to be approximately $6 million.

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS measures on pages 5 and 9.
(2) Net (loss) income attributable to common shareholders is calculated as the net (loss) income adjusted for non-controlling interests and preferred share dividends.
(3) See Non-IFRS Measures on pages 5 and 9.
(4) Transactions over $1.5 million. Internally sourced information.
(5) Advisory Teams are normally comprised of one or more Investment Advisors (IAs) and their assistants and associates, who together manage a shared set of client accounts. Advisory Teams that are led by, or only include, an IA who has been licensed for less than three years are not included in our Advisory Team count, as it typically takes a new IA approximately three years to build an average-sized book of business.

NON-IFRS MEASURES

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

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

SELECTED FINANCIAL INFORMATION EXCLUDING SIGNIFICANT ITEMS(1)

	Three months ended September 30			Six months ended September 30		
(C$ thousands, except per share and % amounts)	**2016**	2015	Quarter-over-quarter change	**2016**	2015	YTD-over-YTD change
Total revenue per IFRS	**$ 193,602**	$ 190,602	1.6%	**$ 399,782**	$ 405,056	(1.3)%
Total expenses per IFRS	**192,845**	$ 189,103	2.0%	**389,014**	$ 391,110	(0.5)%
Significant items recorded in Canaccord Genuity						
Amortization of intangible assets	**827**	1,320	(37.4)%	**1,646**	2,730	(39.7)%
Net gain realized on business disposal (revenue)	**—**	—	—	**(1,193)**	—	n.m.
Significant items recorded in Canaccord Genuity Wealth Management						
Amortization of intangible assets	**1,323**	1,557	(15.0)%	**2,727**	3,024	(9.8)%
Total significant items	**2,150**	2,877	(25.3)%	**3,180**	5,754	(44.7)%
Total revenue excluding significant items	**193,602**	190,602	1.6%	**398,589**	405,056	(1.6)%
Total expenses excluding significant items	**190,695**	186,226	2.4%	**384,641**	385,356	(0.2)%
Net income before taxes – adjusted	**$ 2,907**	$ 4,376	(33.6)%	**$ 13,948**	$ 19,700	(29.2)%
Income taxes – adjusted	**899**	2,433	(63.0)%	**3,801**	4,438	(14.4)%
Net income – adjusted	**$ 2,008**	$ 1,943	3.3%	**$ 10,147**	$ 15,262	(33.5)%
Net (loss) income attributable to common shareholders, adjusted	**(2,481)**	(811)	(205.9)%	**1,819**	8,720	(79.1)%
(Loss) earnings per common share – basic, adjusted	**$ (0.03)**	$ (0.01)	(200.0)%	**$ 0.02**	$ 0.10	(80.0)%
(Loss) earnings per common share – diluted, adjusted	**$ (0.03)**	$ (0.01)	(200.0)%	**$ 0.02**	$ 0.09	(77.8)%

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

Fellow Shareholders:

Over our second fiscal quarter, global markets began to show signs of recovery from the initial shock of the UK Referendum result. The S&P/TSX Composite finished 5.5% higher and the MSCI EAFE gained 6.5%, while the S&P 500 posted more modest gains of 3.9%.

During the three month period, total financing values on the TSX and TSXV improved on a year-over-year basis, but declined by 35.8% compared to the previous three month period. In the US, financing values decreased year-over-year, but increased from the previous quarter, as issuers became more active in advance of the US federal election. Financing activity on the AIM increased slightly compared to the previous quarter as signs of stability began to return to this market.

While the final outcomes of pending global events are manageable for our industry, the period of uncertainty before and after the Brexit vote and leading up to the US federal election has impacted global equity capital markets activities since the start of calendar 2016. The impact of this prolonged period of lower activity was evident in our second fiscal quarter results.

Subdued investment banking and advisory activity impacted profitability for our capital markets businesses in Canada, the US and the UK & Europe, but I am pleased to report a record performance from our Australian capital markets business. Additionally, our wealth management businesses in Canada and the UK & Europe both performed at breakout levels. Our strategy to increase scale and grow revenue from fee-based assets in these businesses has helped to mitigate the impact of lower capital markets activity and dynamic changes within our industry.

Steadily improving contributions from global wealth management operations

Our global wealth management operations generated revenue of $63.7 million for the quarter, an increase of 5.8% compared to the second quarter of last year. Total assets under management increased to $34.4 billion, a record for our business.

In the UK & Europe, our wealth management operations recorded second quarter revenue of $34 million and net income of $7.6 million before taxes and after intersegment allocations. Even with a currency headwind resulting from declines in the pound sterling, this business produced record results in Canadian dollar terms. When measured in local currency, assets under management grew by 6.2% since the end of our first fiscal quarter and grew by 20.1% over the last 12 months. With investments to improve our infrastructure behind us, we have been able to steadily improve operating margins in this business. For the second fiscal quarter, total expenses as a percentage of revenue decreased by 4.6 percentage points year-over-year to 80.6%. Operating margin has improved to over 20% during the quarter, a level we believe is sustainable for this business, compared to a level of 17.3% for fiscal 2016.

I am also pleased to report that our Canadian wealth management business has achieved its second consecutive quarter of profitability. Expenses as a percentage of revenue have declined steadily over the past two quarters, and were 84.7% at the end of the second fiscal quarter, the lowest level since fiscal 2012. While we expect that increasing costs associated with onboarding new advisors and client assets will have a short term impact on earnings, our recruiting efforts will contribute to increasing long-term revenue and asset growth in this business.

A milestone investment to grow our Canadian Wealth Management operations

During the quarter, we announced that one of our largest, long term investors and one of Canada's leading asset managers committed $60 million to support the growth of our Canadian wealth management business, an important endorsement of our wealth management strategy. With this division's return to profitability, we are focused on actively recruiting established advisor teams to accelerate growth in this business. In recent months, we have welcomed nine new Investment Advisors and we continue to gather commitments from additional Advisors. These current and planned additions represent combined new assets of approximately $2.5 billion, which brings us significantly closer to our stated goal of $15 billion in assets under administration and ultimately beyond that level for this business.

Our strategy of selectively hiring advisors is a prudent and efficient approach to increasing assets under management. We have the freedom to work directly with professionals who fit within our culture of independence and entrepreneurialism, while avoiding the substantial costs and restructuring that would typically be associated with an acquisition. We are now very well positioned to focus on growing this business and increasing assets under management, to become the leading independent wealth management business in Canada. This growth will also support our leading independent capital markets business in the region.

Record performance from Australian investment banking operation

During the second fiscal quarter of 2017, Canaccord Genuity participated in 78 transactions globally, to raise total proceeds of $9.3 billion for growth companies. Our global capital markets business generated revenues of $127 million, with the strongest contributions coming from our Australian and Canadian capital markets teams.

These increases were offset by a 27% decrease in revenue generated by our UK & Europe capital markets business when compared to the same period of last year and a smaller decrease of 1.8% from our US Capital markets business.

Our Australian business continued to post exceptional results in the second fiscal quarter, with a year- over-year revenue increase of 113%. This performance was primarily driven by a 288% increase in investment banking revenue when compared to the same quarter of last year. During the quarter, our Australian investment banking teams led a number of transactions in the ultra-competitive mining and energy sectors and also reached a new milestone in secondary commissions. While we anticipate a seasonal slowing of capital raising activities, we are confident that this team will continue to have a strong market share of capital raising and advisory business in the region.

During the typically slower summer months, investment banking revenue in our Canadian capital markets business increased significantly when compared to the same period last year, but is still below normalized levels. Notwithstanding a softer business environment, our Canadian capital markets teams continued to execute for clients and recorded a 14% increase in revenues, driven by a 186% increase in investment banking revenue and a 70% increase in revenue generated from commissions and fees. While investment banking and advisory activity in our US Capital Markets business was lower than the same period last year, our principal trading operation continues to post strong performance and increased revenue by 38% compared to the same period last year.

While the UK government has indicated its intention to trigger its exit from the European Union at the end of March 2017, there is still little clarity on what form this will take. This uncertainty has subdued new issue activity in the region, despite lower volatility and supportive economic factors such as record low interest rates and accommodative monetary policies. As a result of our alignment efforts and recruiting activity to support our core global capabilities, we have been able to grow our client base and our pipeline in the region. We expect that new issue activity will improve during the second half of our fiscal year, as greater clarity develops and market conditions become more accommodative.

Continued commitment to managing our costs

Since we began our restructuring initiatives nine months ago, we have achieved most of our fixed cost reduction objectives, with an additional benefit from changes in foreign exchange rates. Excluding significant items and incentive compensation, we have significantly reduced our second quarter firm wide operating expenses compared to the same period last year to $86.6 million from $93.5 million, and we continue to explore additional expense reduction measures. Our enhanced culture of cost containment was evidenced by a 17.8%, or $4.1 million reduction in our general and administrative expenses when compared to the second quarter of last year.

Commitment to our communities

In any market, our teams are committed to making positive contributions in the communities where we operate. During the quarter we hosted the fourth annual Canaccord Genuity Great Camp Adventure Walk to benefit the highest priority needs of the Hospital for Sick Children in Toronto. More than $2.1 million was raised by 2,800 participants, sponsors and volunteers in support of this event, which has raised a total of $7.6 million since 2013. On October 27, through commissions generated from designated equities trades, our US capital markets team again helped raise money for the benefit of Youth INC during Trading Week for Kids, bringing our five year contribution to more than US$3.5 million. Youth INC offers a venture philanthropy model that is focused on helping to accelerate growth of youth-serving non-profits in New York City.

Advancing our leadership from within

Today we announced that Brad Kotush will be leaving Canaccord Genuity Group and that he will stay until February, 2017 to ensure an orderly transition of his responsibilities. As Chief Financial and Risk Officer, Brad has helped to foster the development of highly capable and globally integrated Finance and Risk teams and I am confident that the professionals we have selected as his successors will transition into their new roles with ease. I would again like to thank Brad for his many contributions to our organization and our employees over the past 18 years.

Looking to the second half of fiscal 2017, we continue to have a number of opportunities to strengthen our offering and increase market share across all of our businesses, and we are better equipped to withstand the impact of factors we cannot control. As an agile and independent firm, we will continue to make adjustments within our business, to protect our core strengths and take advantage of changing market conditions. While we continue to take advantage of an excellent recruiting environment, we are committed to investing thoughtfully in areas we expect to deliver sustainable and long term growth, so that we can provide stronger returns for our clients and our shareholders.

DAN DAVIAU
President & CEO
Canaccord Genuity Group Inc.

Management's Discussion and Analysis

Second quarter fiscal 2017 for the three months and six months ended September 30, 2016 — this document is dated November 1, 2016

The following discussion of the financial condition and results of operations for Canaccord Genuity Group Inc. is provided to enable the reader to assess material changes in our financial condition and to assess results for the three- and six-month periods ended September 30, 2016 compared to the corresponding period in the preceding fiscal year. The three-month period ended September 30, 2016 is also referred to as second quarter 2017 and Q2/17. Unless otherwise indicated or the context otherwise requires, the "Company" refers to Canaccord Genuity Group Inc. and "Canaccord Genuity Group" refers to the Company and its direct and indirect subsidiaries. "Canaccord Genuity" refers to the investment banking and capital markets segment of the Company. This discussion should be read in conjunction with: the unaudited interim condensed consolidated financial statements for the three- and six-month periods ended September 30, 2016, beginning on page 13 of this report; our Annual Information Form (AIF) dated June 24, 2016; and the 2016 annual Management's Discussion and Analysis (MD&A) including the audited consolidated financial statements for the fiscal year ended March 31, 2016 (Audited Annual Consolidated Financial Statements) in the Company's annual report dated June 1, 2016 (the 2016 Annual Report). There has been no material change to the information contained in the annual MD&A for fiscal 2016 except as disclosed in this MD&A. The Company's financial information is expressed in Canadian dollars unless otherwise specified.

Cautionary Statement Regarding Forward-Looking Information

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

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

Presentation of Financial Information and Non-IFRS Measures

This MD&A is based on the unaudited interim condensed consolidated financial statements for the three- and six-month periods ended September 30, 2016 (Second quarter 2017 Financial Statements) prepared in accordance with International Financial Reporting Standards (IFRS). The Second Quarter 2017 Financial Statements have been prepared in accordance with International Accounting Standard 34, "*Interim Financial Reporting*" (IAS 34), and using accounting policies consistent with those applied in preparing the Company's Audited Annual Consolidated Financial Statements for the year ended March 31, 2016.

NON-IFRS MEASURES

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

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

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

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

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

Business Overview

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

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

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

BUSINESS ENVIRONMENT

During the second quarter of fiscal 2017, Canadian economic statistics came in on the weak side due to Alberta's wildfires and a further slowing in energy-related investments. Another headwind during the quarter was the marked depreciation of Latin American currencies, notably the Mexican peso (approximately -20% YTD vs. the CDN$), which is lowering the competitiveness of Canadian exports into the United States. The Bank of Canada (BoC) recently delivered very cautious remarks on the Canadian economy and explicitly cited the Vancouver housing market as a potential future financial vulnerability. In the U.S., key economic statistics (employment, PMIs and retail sales) started the quarter on a strong note before softening toward the end of the quarter. As a result, the U.S. leading economic indicator (LEI) has been close to the expansion/recession line. Meanwhile, inflation has remained far below the 2% objective that the U.S. Federal Reserve ("the Fed") is targeting and the Fed decided to forgo on a rate hike during the quarter. However, three Federal Open Market Committee (FOMC) members dissented from the decision. Following the September meeting, the Fed's median policy rate projections for 2016, 2017, 2018, and its GDP forecast were all reduced from the projections offered in June. The European Central Bank (ECB) and the Bank of Japan (BoJ) have both refrained from adding monetary stimulus, which has been disappointing for investors. Notably, the BoJ announced that it would stop targeting the amount of bonds it purchases and instead focus on the bond-yield curve and the Yen. In China, manufacturing PMIs rebounded over the summer and home prices in the region signal an ongoing recovery in housing market conditions. Elsewhere in emerging markets (EMs), central banks delivered several rate cuts over the quarter, export statistics have improved and economic growth has reaccelerated.

The S&P/TSX and the S&P 500 enjoyed a strong quarter, up 4.7% and 3.3% respectively during the second fiscal quarter of 2017. The MSCI world index advanced 4.3%, mainly driven by EMs (6.9%). Gold, copper and oil prices ended the quarter mostly unchanged. Crude oil, however, proved quite volatile, dipping below $40/bbl at one point before rebounding and ending the quarter at $48/bbl, as OPEC countries agreed to freeze daily oil output at 32.5MMbbl/d, reflecting a production cut of approximately 750Kbbl/d from current levels. The rebound in oil prices allowed the energy sector (+5.4%) to outperform the market. Meanwhile, U.S. 10-year Treasury bond yields advanced 11bps and corporate bond yields declined 12bps. The rebound in Treasury bond yields boosted non-resource cyclical stocks in Canada (+6.7%) and put pressure on defensive yielders such as telecoms (-0.3%) and utilities (-2.8%), which are often considered bond proxies. With respect to currencies, widening budget and current account deficits in Canada have been negatively impacting the Canadian dollar (-1.6%). Another weak currency is the British Pound, which has fallen to multi-year lows on expectations that the UK government will invoke Article 50 for Brexit next spring.

Looking ahead, the positive news is that for the first time since 2009, the composite leading economic indicator (LEI) for BRIC (Brazil, Russia, India and China) countries has pushed into expansion territory. Central banks in EMs are pressing hard on monetary reflation to kick-start growth and their efforts are bearing fruit. The negative news is that the LEIs for the G7 countries remain in the contraction zone, and monetary policy as a stimulative tool is nearly exhausted. The net result is a desynchronized world economic cycle, which we expect will persist until governments in the developed markets (DMs) embrace fiscal reflation. We believe that this pivot point is approaching regardless of the outcome of the U.S. presidential election. The cost of debt associated with government spending is nil, as Treasury bond yields in most countries remain below trend GDP growth rates. At a minimum, we believe that reducing fiscal drag should be a priority among world governmental authorities in calendar 2017.

With respect to equity sectors, recent developments suggest more outperformance from cyclical areas. Among positive factors we note the lagged impact of rate cuts across EM central banks, EM growth reacceleration and rebalancing commodity markets. We expect that this environment will also fuel capital markets activities, as companies use higher public market valuations to raise capital. Also, with the potential for rising long term interest rates to reduce the relative cost of equity for many issuers, we expect a better and broader IPO market.

MARKET DATA

Total financing values on the TSX and TSX Venture Exchange experienced declines compared to the previous quarter and increased compared to the same period last year, while financing values on the NASDAQ experienced decreases compared to the same period last year, but showed improvements compared to the previous quarter. Financing values on AIM improved compared to both Q1/17 and the same period last year.

TOTAL FINANCING VALUE BY EXCHANGE

	July 2016	August 2016	September 2016	Fiscal Q2/17	Change from fiscal Q2/16	Change from fiscal Q1/17
TSX and TSX Venture (C$ billions)	4.1	4.0	5.0	13.1	36.5%	(35.8)%
AIM (£ billions)	0.8	0.2	0.3	1.3	8.3%	8.3%
NASDAQ (US$ billions)	6.1	4.8	8.2	19.1	(8.2)%	17.2%

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

ABOUT CANACCORD GENUITY GROUP INC.'S OPERATIONS

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

Canaccord Genuity

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

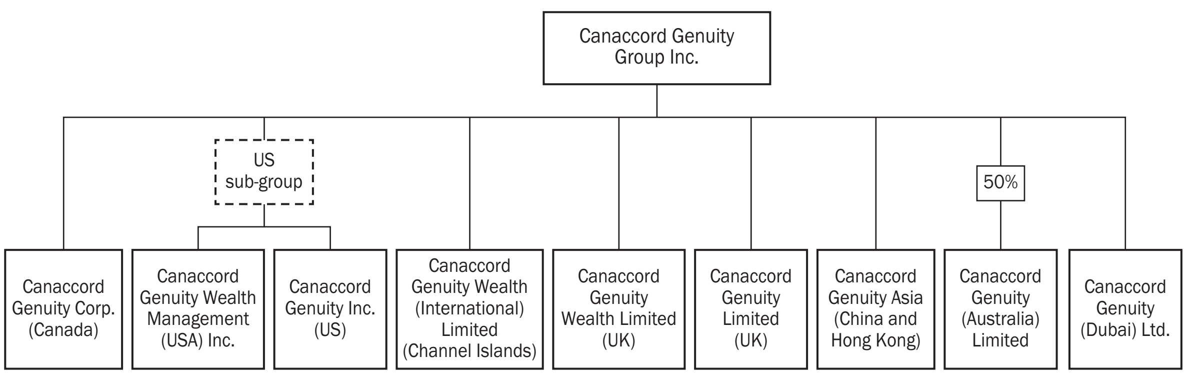
Canaccord Genuity Wealth Management

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

Corporate and Other

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

Corporate structure



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

The Company owns 50% of the issued shares of Canaccord Financial Group (Australia) Pty Ltd and Canaccord Genuity (Australia) Limited, but for accounting purposes, as of September 30, 2016 the Company is considered to have a 58% interest because of the shares held in a trust controlled by Canaccord Financial Group (Australia) Pty Ltd [March 31, 2016 — 58%].

Consolidated Operating Results

SECOND QUARTER AND FIRST HALF OF FISCAL 2017 SUMMARY DATA[(1)(2)]

(C$ thousands, except per share and % amounts, and number of employees)	Three months ended September 30 2016	2015	2014	QTD Q2/17 vs. Q2/16	Six months ended September 30 2016	2015	2014	YTD FY 2017 vs. FY 2016
Canaccord Genuity Group Inc. (CGGI)								
Revenue								
Commissions and fees	**$ 95,342**	$ 89,182	$ 86,240	6.9%	**$ 188,214**	$183,888	$181,066	2.4%
Investment banking	**44,439**	31,490	66,289	41.1%	**81,852**	96,903	153,661	(15.5)%
Advisory fees	**18,016**	43,912	55,741	(59.0)%	**57,322**	65,577	88,435	(12.6)%
Principal trading	**26,859**	17,592	17,708	52.7%	**54,405**	40,158	37,984	35.5%
Interest	**4,005**	4,334	5,902	(7.6)%	**7,613**	9,408	12,206	(19.1)%
Other	**4,941**	4,092	4,391	20.7%	**10,376**	9,122	8,475	13.7%
Total revenue	**193,602**	190,602	236,271	1.6%	**399,782**	405,056	481,827	(1.3)%
Expenses								
Incentive compensation	**104,080**	92,681	119,389	12.3%	**211,655**	199,181	241,726	6.3%
Salaries and benefits	**20,633**	22,510	20,268	(8.3)%	**42,542**	45,074	42,801	(5.6)%
Other overhead expenses[(3)]	**68,132**	73,912	71,669	(7.8)%	**134,817**	146,855	146,684	(8.2)%
Restructuring costs[(4)]	**—**	—	—		**—**	—	2,383	—
Total expenses	**192,845**	189,103	211,326	2.0%	**389,014**	391,110	433,594	(0.5)%
Income (loss) before income taxes	**757**	1,499	24,945	(49.5)%	**10,768**	13,946	48,233	(22.8)%
Net (loss) income	**200**	(431)	17,614	146.4%	**7,655**	10,530	36,483	(27.3)%
Net (loss) income attributable to:								
CGGI shareholders	**$ (1,220)**	$ (105)	$ 17,109	n.m.	**5,462**	$ 10,309	$ 35,190	(47.0)%
Non-controlling interests	**1,420**	$ (326)	$ 505	n.m.	**2,193**	$ 221	$ 1,293	n.m.
(Loss) earnings per common share – diluted	**$ (0.05)**	$ (0.03)	$ 0.14	(66.7)%	**$ (0.01)**	$ 0.04	$ 0.29	(125.0)%
Return on common equity (ROE)	**(3.2)%**	(1.3)%	6.1%	(1.8)%	**(0.2)%**	1.0%	6.3%	(1.2)%
Dividends per common share	**—**	$ 0.05	$ 0.10	(100.0)%	**—**	$ 0.10	$ 0.15	(100.0)%
Book value per diluted common share[(5)]	**$ $4.70**	$ 8.38	$ 8.90	(43.9)%				
Total assets	**$ 3,960,901**	$3,981,552	$4,719,202	(0.5)%				
Total liabilities	**$ 3,223,981**	$2,841,706	$3,562,261	13.5%				
Non-controlling interests	**$ 8,992**	$ 11,361	$ 15,130	(20.9)%				
Total shareholders' equity	**$ 727,928**	$1,128,485	$1,141,811	(35.5)%				
Number of employees	**1,727**	1,887	2,018	(8.5)%				
Excluding significant items[(6)]								
Total revenue	**$ 193,602**	$ 190,602	$ 236,271	1.6%	**$ 398,589**	$405,056	$481,827	(1.6)%
Total expenses	**190,695**	$ 186,226	$ 207,395	2.4%	**384,641**	$385,356	$423,299	(0.2)%
Income before income taxes	**2,907**	4,376	28,876	(33.6)%	**13,948**	19,700	58,528	(29.2)%
Net income	**2,008**	1,943	20,746	3.3%	**10,147**	15,262	44,763	(33.5)%
Net income (loss) attributable to:								
CGGI shareholders	**518**	2,187	19,986	(76.3)%	**7,817**	14,605	42,949	(46.9)%
Non-controlling interests	**1,490**	(133)	760	122.0%	**2,330**	657	1,814	254.6%
Net (loss) income attributable to common shareholders, adjusted	**(2,481)**	(811)	17,065	(205.9)%	**1,819**	8,720	37,030	(79.1)%
(Loss) earnings per common share – diluted	**(0.03)**	(0.01)	0.17	(200)%	**0.02**	0.09	0.37	(77.8)%

(1) Data is in accordance with IFRS except for ROE, book value per diluted common share, figures excluding significant items and number of employees. See Non-IFRS Measures on page 9.
(2) The operating results of the Australian operations have been fully consolidated and a 42% non-controlling interest has been recognized for the three and six months ended September 30, 2016 [three and six months ended September 30, 2015 — 40% and September 30, 2014 — 50%.].
(3) Consists of trading costs, premises and equipment, communication and technology, interest, general and administrative, amortization of tangible and intangible assets, and development costs.
(4) Restructuring costs for the six months ended September 30, 2014 were incurred in connection with certain executive changes in our Corporate and Other segment and the closure of the Geneva office in our UK & European wealth management operations.
(5) Book value per diluted common share is calculated as total common shareholders' equity adjusted for assumed proceeds from exercise of options and warrants divided by the number of diluted common shares outstanding including estimated amounts in respect of share issuance commitments including options and warrants, as applicable, and adjusted for shares purchased under the normal course issuer bid and not yet cancelled, and estimated forfeitures in respect of unvested share awards under share-based payment plans.
(6) Net income (loss) and earnings (loss) per common share excluding significant items reflect tax-effected adjustments related to such items. See the Selected Financial Information Excluding Significant Items table on the next page.
n.m.: not meaningful

SELECTED FINANCIAL INFORMATION EXCLUDING SIGNIFICANT ITEMS[(1)]

(C$ thousands, except per share and % amounts)	Three months ended September 30 2016	2015	Quarter-over-quarter change	Six months ended September 30 2016	2015	YTD-over-YTD change
Total revenue per IFRS	$ 193,602	$ 190,602	1.6%	$ 399,782	$ 405,056	(1.3)%
Total expenses per IFRS	192,845	$ 189,103	2.0%	389,014	$ 391,110	(0.5)%
Significant items recorded in Canaccord Genuity						
Amortization of intangible assets	827	1,320	(37.4)%	1,646	2,730	(39.7)%
Net gain realized on business disposal (revenue)	—	—	—	(1,193)	—	n.m.
Significant items recorded in Canaccord Genuity Wealth Management						
Amortization of intangible assets	1,323	1,557	(15.0)%	2,727	3,024	(9.8)%
Total significant items	2,150	2,877	(25.3)%	3,180	5,754	(44.7)%
Total revenue excluding significant items	193,602	190,602	1.6%	398,589	405,056	(1.6)%
Total expenses excluding significant items	190,695	186,226	2.4%	384,641	385,356	(0.2)%
Net income before taxes – adjusted	$ 2,907	$ 4,376	(33.6)%	$ 13,948	$ 19,700	(29.2)%
Income taxes – adjusted	899	2,433	(63.0)%	3,801	4,438	(14.4)%
Net income – adjusted	$ 2,008	$ 1,943	3.3%	$ 10,147	$ 15,262	(33.5)%
Net (loss) income attributable to common shareholders, adjusted	(2,481)	(811)	(205.9)%	1,819	8,720	(79.1)%
(Loss) earnings per common share – basic, adjusted	$ (0.03)	$ (0.01)	(200.0)%	$ 0.02	$ 0.10	(80.0)%
(Loss) earnings per common share – diluted, adjusted	$ (0.03)	$ (0.01)	(200.0)%	$ 0.02	$ 0.09	(77.8)%

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

Foreign exchange

Revenues and expenses from our foreign operations are initially recorded in their respective functional currencies and translated into Canadian dollars at exchange rates prevailing during the period. The pound sterling depreciated against the Canadian dollar by approximately 15.3% in Q2/17 when compared to Q2/16, while the US dollar depreciated against the Canadian dollar by approximately 1.1%. For the six months ended September 30, 2016, the pound sterling depreciated against the Canadian dollar by approximately 10.0% and the US dollar depreciated by approximately 1.2% compared to the same period a year ago. This change in foreign exchange contributed to certain changes in revenue and expense items in Canadian dollars when compared to the applicable prior periods and should be considered when reviewing the following discussion in respect of our consolidated results as well as the discussion in respect of Canaccord Genuity and Canaccord Genuity Wealth Management UK & Europe.

Goodwill

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

Utilizing management's preliminary estimates for revenue and operating performance, growth rates and other assumptions typically required in connection with discounted cash flow models the Company determined that there was no impairment in the goodwill and indefinite life intangible assets associated with any of its wealth management business units in the UK & Europe or its remaining goodwill recorded in Canaccord Genuity Canada. Notwithstanding this determination as of September 30, 2016, the continuing uncertainty in the economic environment may cause this determination to change. If the business climate remains uncertain and the Company is unable to achieve its internal forecasts the Company may determine that there has been impairment and the Company may be required to record a goodwill impairment charge in future periods in respect of the Canaccord Genuity Wealth Management business units in the UK & Europe or in respect of the remaining goodwill recorded in Canaccord Genuity Canada. Adverse changes in the key assumptions utilized for purposes of impairment testing for goodwill and indefinite life intangible assets may result in the estimated recoverable amount of some or all of the applicable business units declining below the carrying value with the result that impairment charges may be required. The amount of any impairment charge would affect some or all of the amounts recorded for goodwill and indefinite life intangible assets. Any such impairment charges would be determined after incorporating the effect of any changes in key assumptions including any consequential effects of such changes on estimated operating income and on other factors.

Revenue

Second quarter 2017 vs. second quarter 2016

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

Revenue for the three months ended September 30, 2016 was $193.6 million, an increase of 1.6% or $3.0 million compared to the same period a year ago. The Canaccord Genuity segment experienced a slight increase of $0.5 million in Q2/17 compared to the same quarter in the prior year, due to a $24.9 million decline in advisory fees offset by higher commissions and fees, investment banking and principal trading revenue. The Canaccord Genuity Wealth Management segment generated revenue of $63.7 million during the three months ended September 30, 2016, an increase of $3.5 million over Q2/16, mostly due to higher investment banking revenue earned in our North American operations.

Commissions and fees revenue is primarily generated from private client trading activity and institutional sales and trading. Revenue generated from commissions and fees increased by $6.2 million, to $95.3 million in Q2/17, compared to the same period a year ago. Commissions and fees revenue earned in connection with the Canaccord Genuity Wealth Management segment was $54.5 million, an increase of $0.9 million over Q2/16. The Canaccord Genuity segment experienced an increase of $5.2 million in commissions and fees revenue compared to the same quarter in the prior year, mainly due to higher revenue earned in our Canadian operations.

Investment banking revenue increased by $12.9 million or 41.1% compared to the same period a year ago, to $44.4 million in Q2/17. Investment banking revenue increased in our Canadian and Other Foreign Location operations by $7.4 million and $9.1 million, respectively, compared to Q2/16. Offsetting these increases were declines in our US and UK & Europe capital markets operations of $0.7 million and $5.9 million, respectively.

Advisory fees revenue was $18.0 million, a decrease of $25.9 million or 59.0% from the same quarter a year ago. All of our primary capital markets business units recorded a decline in advisory fees compared to Q2/16 as a result of reduced corporate activity in our focus sectors compared to the prior year. The largest declines in advisory fees in Q2/17 were in the UK & Europe and Canadian capital markets of $9.2 million and $9.1 million, respectively.

Principal trading revenue was $26.9 million in Q2/17, representing a $9.3 million increase compared to Q2/16. Our US and UK & Europe capital markets operations both experienced increases in principal trading revenue compared to the same quarter in the prior year of $5.3 million and $4.1 million, respectively.

Interest revenue was $4.0 million for the three months ended September 30, 2016, representing a decrease of $0.3 million from Q2/16, mostly attributable to our wealth management operations. Other revenue was $4.9 million for Q2/17, an increase of $0.8 million from the same period a year ago.

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

Revenue for the six months ended September 30, 2016 was $399.8 million, a decrease of 1.3% or $5.3 million compared to the same period a year ago, mainly due to a $15.1 million decrease in investment banking revenue and a $8.3 million decrease in advisory fees revenue, offset by a $4.3 million increase in commissions and fees revenue and a $14.2 million increase in principal trading revenue.

Commissions and fees revenue was $188.2 million, representing an increase of 2.4% compared to the six months ended September 30, 2015, primarily related to increases in our Canadian and US capital markets operations.

Investment banking revenue decreased by $15.1 million to $81.9 million, compared to $96.9 million in the same period a year ago. As a result of reduced activity, both our US and UK & Europe capital markets operations reported decreases in investment banking revenue during the six months ended September 30, 2016 compared to the same period last year. Our Other Foreign Locations and Canadian operations, however, both generated higher investment banking revenue in the current period, reporting increases of $5.6 million and of $10.6 million, respectively.

Advisory fees revenue of $57.3 million represented a decrease of 12.6% or $8.3 million compared to the same period in the prior year. The largest decrease was in our UK & Europe capital markets operations, which experienced a decline of $17.2 million. Our Canadian and US capital markets operations both experienced an increase compared to the same period in the prior year of $9.1 million and $0.6 million, respectively.

Revenue derived from principal trading was $54.4 million, an increase of $14.2 million or 35.5% compared to the same period last year. All geographic regions experienced an increase in principal trading revenue, with the most significant increases in our US and UK & Europe capital markets operations.

Interest revenue decreased by $1.8 million compared to the six months ended September 30, 2015 mainly due to lower revenue generated in our wealth management operations. Other revenue increased by $1.3 million to $10.4 million during the six months ended September 30, 2016.

Expenses

Expenses for the three months ended September 30, 2016 were $192.8 million, an increase of 2.0% or $3.7 million from Q2/16. For the six months ended September 30, 2016 expenses were $389.0 million, a decrease of 0.5% or $2.1 million compared to the same period of the prior year.

EXPENSES AS A PERCENTAGE OF REVENUE

	Three months ended September 30			Six months ended September 30		
	2016	2015	Quarter-over-quarter change	**2016**	2015	YTD-over-YTD change
Incentive compensation	**53.8%**	48.6%	5.2 p.p.	**52.9%**	49.2%	3.7 p.p.
Salaries and benefits	**10.6%**	11.8%	(1.2) p.p.	**10.7%**	11.1%	(0.4) p.p.
Other overhead expenses[1]	**35.2%**	38.8%	(3.6) p.p.	**33.7%**	36.3%	(2.6) p.p.
Total	**99.6%**	99.2%	0.4 p.p.	**97.3%**	96.6%	0.7 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

Second quarter 2017 vs. second quarter 2016

Incentive compensation expense was $104.1 million, an increase of 12.3% compared to Q2/16. Incentive compensation expense as a percentage of revenue was 53.8%, an increase of 5.2 percentage points from the same period last year due to fixed compensation costs as described below, higher share-based incentive compensation and reduced estimates for deferred compensation. Salaries and benefits expense decreased by $1.9 million compared to Q2/16, to $20.6 million in Q2/17 as a result of a reduction in headcount. Total compensation expense (incentive compensation plus salaries and benefits) as a percentage of consolidated revenue increased from 60.4% in Q2/16 to 64.4% in Q2/17 primarily due to the weak revenue levels achieved in the UK & Europe and the fixed nature of its compensation at those low revenue levels.

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

Incentive compensation expense was $211.7 million for the six months ended September 30, 2016, an increase of 6.3% from the same period in the prior year. Incentive compensation as a percentage of total revenue was 52.9%, an increase of 3.7 percentage points over the same period in the prior year. As discussed above, the increase in incentive compensation ratio was mostly related to our UK & Europe operations.

Salaries and benefits expense of $42.5 million for the six months ended September 30, 2016 was $2.5 million or 5.6% lower than in the same period a year ago. Total compensation expense (incentive compensation plus salaries and benefits) as a percentage of consolidated revenue was 63.6%, an increase of 3.2 percentage points from 60.3% in the same period a year ago due to the fixed nature of compensation expense in certain regions and the reduced revenue levels in those regions.

OTHER OVERHEAD EXPENSES

	Three months ended September 30			Six months ended September 30		
(C$ thousands, except % amounts)	**2016**	2015	Quarter-over-quarter change	**2016**	2015	YTD-over-YTD change
Trading costs	**$ 15,852**	$ 14,107	12.4%	**$ 29,988**	$ 27,917	7.4%
Premises and equipment	**9,514**	10,051	(5.3)%	**19,262**	19,937	(3.4)%
Communication and technology	**14,409**	14,267	1.0%	**26,743**	27,870	(4.0)%
Interest	**2,584**	2,292	12.7%	**6,026**	5,583	7.9%
General and administrative	**18,735**	22,794	(17.8)%	**38,283**	44,962	(14.9)%
Amortization[1]	**5,180**	6,453	(19.7)%	**10,565**	12,586	(16.1)%
Development costs	**1,858**	3,948	(52.9)%	**3,950**	8,000	(50.6)%
Total other overhead expenses	**$ 68,132**	$ 73,912	(7.8)%	**$ 134,817**	$ 146,855	(8.2)%

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

Second quarter 2017 vs. second quarter 2016

Other overhead expenses were $68.1 million, or 7.8% lower in Q2/17 compared to Q2/16. As a percentage of revenue, other overhead expenses decreased by 3.6 percentage points compared to Q2/16. The overall decrease in other overhead expenses was mainly driven by decreases in development costs, amortization, general and administrative expense, offset by an increase in trading costs. Communication expense and interest expense remained relatively unchanged compared to Q2/16.

General and administrative expense, which includes reserves, promotion and travel expense, office expense, professional fees and donations, decreased by $4.1 million or 17.8%, largely due to reduced expenditures across most operating segments in accordance with cost saving initiatives implemented in connection with the restructuring which took place at the end of fiscal 2016.

Higher trading costs in our US capital markets operations were the primary reason for the $1.7 million increase in trading costs compared to Q2/16. Although its trading activities continued to be profitable, the international equities group in the US incurred certain higher than normal trading costs during the quarter.

Amortization expense decreased by $1.3 million or 19.7% compared to Q2/16 largely due to lower amortization of intangible assets in our Other Foreign Locations operations. Development costs decreased by $2.1 million or 52.9% in Q2/17 compared to the same period in the prior year, as a result of lower hiring incentives in our US and UK & Europe capital markets operations, as well as lower system development costs in our UK & Europe wealth management operations.

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

Other overhead expenses for the six months ended September 30, 2016 decreased by $12.0 million, to $134.8 million, from the same period a year ago. The increases in trading costs and interest expense were offset by decreases in general and administrative expense, amortization expense, development costs and premises and equipment expense.

As discussed above, trading costs increased by $2.1 million or 7.4% in the six months ended September 30, 2016 compared to the same period in the prior year partially due to higher costs in our US capital markets operations in connection with the international equities group trading activities.

Communication and technology expense decreased by $1.1 million for the six months ended September 30, 2016, to $26.7 million, primarily due to a decrease in the UK & Europe capital markets operations.

General and administrative expense decreased by $6.7 million or 14.9% for the six months ended September 30, 2016 compared to the same period last year. Our US and UK & Europe capital markets operations experienced the most significant decreases of $2.4 million and $2.8 million, respectively, as a result of reduced activity levels and the restructuring which took place at the end of fiscal 2016.

Development costs decreased by $4.1 million during the period compared to the six months ended September 30, 2015, mainly due to lower hiring incentives and lower system development costs across all our operations.

Net income (loss)

Second quarter 2017 vs. second quarter 2016

Net income for Q2/17 was $0.2 million compared to a net loss of $0.4 million in the same period a year ago. Loss per common share was $0.05 in Q2/17 compared to a loss per common share of $0.03 in Q2/16.

Excluding significant items(1), net income for Q2/17 was $2.0 million or a net loss attributable to common shareholders of $2.5 million compared to net income of $1.9 million or a net loss of $0.8 million attributable to common shareholders in Q2/16. Loss per common share, excluding significant items(1) was $0.03 in Q2/17 compared to a loss per common share, excluding significant items(1), of $0.01 in Q2/16.

The effective tax rate for Q2/17 was 73.6% compared to an effective tax rate of 128.8% in the same quarter last year. The difference in the effective tax recovery rate was mainly due to the non-recognition of certain deferred tax assets in our foreign operations and lower non-deductible items affecting the determination of taxation income.

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

Net income for the six months ended September 30, 2016 was $7.7 million compared to $10.5 million for the same period a year ago, a decrease of $2.9 million or 27.3%. Loss per common share was $0.01 compared to diluted EPS of $0.04 a year ago. Excluding significant items(1) net income was $10.1 million and diluted EPS was $0.02, compared to diluted EPS of $0.09 in the same period a year ago.

The effective tax rate for the six months ended September 30, 2016 was 28.9% compared to an effective tax rate of 24.5% in the same period last year. The increase in the effective tax rate was mainly due to the non-recognition of certain deferred tax assets in our foreign operations.

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

Results of Operations by Business Segment

CANACCORD GENUITY[1][2]

(C$ thousands, except number of employees and % amounts)	Three months ended September 30 2016	2015	Quarter-over-quarter change	Six months ended September 30 2016	2015	YTD-over-YTD change
Revenue	$ 127,005	$ 126,511	0.4%	$ 267,603	$ 271,546	(1.5)%
Expenses						
Incentive compensation	74,835	66,858	11.9%	153,527	143,475	7.0%
Salaries and benefits	6,437	6,844	(5.9)%	12,955	13,215	(2.0)%
Other overhead expenses	45,372	50,469	(10.1)%	89,788	99,227	(9.5)%
Total expenses	126,644	124,171	2.0%	256,270	255,917	0.1%
Intersegment allocations[3]	4,410	4,114	7.2%	8,030	8,103	(0.9)%
(Loss) income before income taxes[3]	$ (4,049)	$ (1,774)	(128.2)%	$ 3,303	$ 7,526	(56.1)%
Number of employees	799	878	(9.0)%			
Excluding significant items[4]						
Total expenses	$ 125,817	$ 122,851	2.4%	$ 254,625	$ 253,187	0.6%
Intersegment allocations[3]	4,410	4,114	7.2%	8,030	8,103	(0.9)%
(Loss) income before income taxes[3]	(3,222)	(454)	n.m.	3,755	10,256	(63.4)%

(1) Data is in accordance with IFRS except for figures excluding significant items and number of employees.
(2) The operating results of Canaccord Genuity (Australia) Limited have been consolidated and a 42% non-controlling interest has been recognized and included in the Canaccord Genuity business segment for the three and six months ended September 30, 2016 [three and six months ended September 30, 2015 — 40%].
(3) (Loss) income before income taxes includes intersegment allocated costs. See the Intersegment Allocated Costs section on page 24.
(4) Refer to the Selected Financial Information Excluding Significant Items table on page 13.

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

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

REVENUE BY GEOGRAPHY AS A PERCENTAGE OF CANACCORD GENUITY REVENUE

	Three months ended September 30 2016	2015	Quarter-over-quarter change	Six months ended September 30 2016	2015	YTD-over-YTD change
Revenue generated in:						
Canada	22.3%	19.6%	2.7 p.p.	28.8%	21.8%	7.0 p.p.
UK and Europe	21.9%	30.3%	(8.4) p.p.	19.6%	30.8%	(11.2) p.p.
US	43.3%	44.2%	(0.9) p.p.	40.6%	40.8%	(0.2) p.p.
Other Foreign Locations	12.5%	5.9%	6.6 p.p.	11.0%	6.6%	4.4 p.p.
	100.0%	100.0%		100.0%	100.0%	

p.p.: percentage points

Second quarter 2017 vs. second quarter 2016

Revenue

Canaccord Genuity generated revenue of $127.0 million in Q2/17, a slight increase of 0.4% or $0.5 million from the same quarter a year ago. Our Canadian and Other Foreign Locations operations both reported higher revenue compared to Q2/16 of $3.5 million and $8.5 million, respectively. The increases were largely offset by a $10.5 million decrease in revenue generated in our UK & Europe operations compared to Q2/16.

Expenses

Expenses for Q2/17 were $126.6 million, an increase of 2.0% or $2.5 million compared to Q2/16. Total expenses as a percentage of revenue increased by 1.6 percentage points compared to the same quarter in the prior year primarily as a result of reduced revenue in the UK & Europe and the fixed nature of its incentive compensation expense at those reduced revenue levels.

Incentive compensation and salaries and benefits

Incentive compensation expense for Q2/17 increased by $8.0 million or 11.9% compared to Q2/16. Incentive compensation expense as a percentage of revenue was 58.9%, an increase of 6.1 percentage points from Q2/16. Total compensation expense as a percentage of revenue was 64.0%, 5.7 percentage points higher than in Q2/16.

In Canada, total compensation as a percentage of revenue increased by 11.0 percentage points compared to Q2/16 due to a change in the estimate for deferred compensation, as well as higher share-based incentive compensation expense related to stock awards made in prior periods and in Q1/17. Our US operations experienced an increase of 2.6 percentage points compared to Q2/16 due to lower revenue as well as higher amortization of stock awards made in prior periods which do not vary with current period revenue. As a result of the significant decrease in revenue, total compensation as a percentage of revenue in our UK & Europe operations increased by 17.7 percentage points due to substantially reduced revenue relative to fixed staff costs. Our Other Foreign Locations segment experienced a decline of 22.1 percentage points from the same quarter last year due to higher revenue generated in our Australian operations as well as a reduction in fixed staff costs in our Asian-based operations in Beijing, Hong Kong and Singapore.

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

	Three months ended September 30			Six months ended September 30		
	2016	2015	Quarter-over-quarter change	**2016**	2015	YTD-over-YTD change
Canada	**62.7%**	51.7%	11.0 p.p.	**55.5%**	49.7%	5.8 p.p.
UK and Europe	**78.9%**	61.2%	17.7 p.p.	**80.3%**	63.4%	16.9 p.p.
US	**58.7%**	56.1%	2.6 p.p.	**59.8%**	55.2%	4.6 p.p.
Other Foreign Locations	**58.5%**	80.6%	(22.1) p.p.	**56.6%**	72.8%	(16.2) p.p.
Canaccord Genuity (total)	**64.0%**	58.3%	5.7 p.p.	**62.2%**	57.7%	4.5 p.p.

p.p.: percentage points

Other overhead expenses

Total other overhead expenses excluding significant items[1] for Q2/17 were $44.5 million, a decrease of 9.4% compared to Q2/16. As a result of cost reduction efforts, most of the operating expenses declined compared to the same period last year, most notably general and administrative expense, amortization expense and development costs.

Amortization expense decreased by $0.9 million or 25.5% to $2.7 million in Q2/17 compared to the same period last year mainly due to a decrease in amortization of intangible assets in our Other Foreign Locations operations. Development costs decreased by $0.7 million compared to Q2/16 due to lower hiring incentives in our US and UK & Europe operations.

Communication and technology expense and interest expense increased by $0.2 million and $0.4 million, respectively, compared to Q2/16. Trading costs increased by $0.8 million or 6.3% to $12.7 million in Q2/17 due to higher costs in our US operations.

Loss before income taxes

Loss before income taxes, including allocated overhead expenses, was $4.0 million in Q2/17 compared to a net loss of $1.8 million in the same quarter a year ago. Excluding significant items[1], loss before income taxes, including allocated overhead expenses, was $3.2 million in Q2/17 compared to a loss of $0.5 million in Q2/16. The higher loss before income taxes was largely due to the significant decline in revenue in the UK & Europe operations and the impact on its incentive compensation.

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

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

Revenue
Revenue for Canaccord Genuity in the six months ended September 30, 2016 was $267.6 million, a decrease of $3.9 million compared to the same period last year. Revenue decreased in our US and UK & Europe operations, by 1.9% and 37.4%, respectively, compared to the same period last year. Offsetting these decreases was higher revenue generated by our Canadian and Other Foreign Locations operations, which increased by 30.6% and 62.0%, respectively.

Expenses
Expenses for the six months ended September 30, 2016 were $256.3 million, a slight increase of 0.1% or $0.3 million from the same period last year. Total expenses as a percentage of revenue increased by 1.5 percentage points compared to the first six months of fiscal 2016.

Incentive compensation and salaries and benefits
Incentive compensation expense as a percentage of revenue increased by 4.5 percentage point to 57.4% for the six months ended September 30, 2016. Total compensation as a percentage of revenue increased from 57.7% for the six months ended September 30, 2015 to 62.2% in the current period, mainly due to the non-variable nature of certain fixed compensation costs such as salaries and stock-based compensation and changes to the estimated levels of deferred compensation.

Other overhead expenses
Other overhead expenses all decreased in the current period compared to the six months ended September 30, 2015 except for interest expense and trading costs.

General and administrative expense for the six months ended September 30, 2016 was $23.0 million, a decrease of $5.5 million or 19.2% over the same period last year, as a result of reduced expenditures across most of the geographic regions. Our Canadian capital markets operations experienced a slight increase of $0.5 million as a result of higher promotion and travel expense due to increased activities.

Development costs decreased by $1.9 million or 56.3% compared to the same period in the prior year as a result of lower hiring incentives in our US and UK & Europe operations. Communication and technology expense decreased by $0.6 million primarily due to a decrease arising from our UK & Europe operations. Premises and equipment expense also decreased by $1.0 million compared to the same period last year to $12.0 million for the six months ended September 30, 2016.

Income before income taxes
Income before income taxes for the six months ended September 30, 2016 was $3.3 million, a decrease of $4.2 million compared to the same period a year ago. Excluding significant items(1), income before income taxes for the six months ended September 30, 2016 was $3.8 million, a decrease of $6.5 million from the same period a year ago. The decline in income before income taxes was primarily due to lower revenue as well as higher compensation costs as a percentage of revenue.

CANACCORD GENUITY WEALTH MANAGEMENT

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

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

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 September 30 2016	2015	Quarter-over-quarter change	Six months ended September 30 2016	2015	YTD-over-YTD change
Revenue	$ 29,732	$ 26,155	13.7%	$ 59,205	$ 57,071	3.7%
Expenses						
Incentive compensation	14,630	12,327	18.7%	29,327	28,135	4.2%
Salaries and benefits	2,469	2,738	(9.8)%	5,534	5,660	(2.2)%
Other overhead expenses	8,085	7,621	6.1%	16,178	15,675	3.0%
Total expenses	25,184	22,686	11.0%	51,039	49,470	3.2%
Intersegment allocations(2)	3,916	5,137	(23.8)%	7,179	9,659	(25.7)%
Income (loss) before income taxes(2)	$ 632	$ (1,668)	137.9%	$ 987	$ (2,058)	148.0%
AUM – Canada (discretionary)(3)	1,219	1,360	(10.4)%			
AUA – Canada(4)	10,334	9,481	9.0%			
Number of Advisory Teams – Canada	139	141	(1.4)%			
Number of employees	342	379	(9.8)%			
Excluding significant items(5)						
Total expenses	$ 25,184	$ 22,686	11.0%	$ 51,039	$ 49,470	3.2%
Intersegment allocations(2)	3,916	5,137	(23.8)%	7,179	9,659	(25.7)%
Income (loss) before income taxes(2)	632	(1,668)	137.9%	987	(2,058)	148.0%

(1) Data is in accordance with IFRS except for AUM, AUA, number of Advisory Teams and number of employees. See Non-IFRS Measures on page 9.
(2) Income (loss) before income taxes includes intersegment allocations. See the Intersegment Allocated Costs section on page 24.
(3) AUM in Canada are assets managed on a discretionary basis under our programs generally described as or known as the *Complete Canaccord Investment Counselling Program* and the *Complete Canaccord Private Investment Management Program*.
(4) AUA in Canada is the market value of client assets administered by the Company, from which the Company earns commissions and fees and includes AUM.
(5) Refer to the Selected Financial Information Excluding Significant Items table on page 13.

Second quarter 2017 vs. second quarter 2016

Revenue from Canaccord Genuity Wealth Management North America was $29.7 million, an increase of $3.6 million or 13.7% compared to the three months ended September 30, 2015.

AUA in Canada increased by 9.0% to $10.3 billion at September 30, 2016 compared to $9.5 billion at September 30, 2015. AUM in Canada decreased by 10.4% compared to Q2/16. There were 139 Advisory Teams in Canada, a decrease of 2 from a year ago. Fee-related revenue in our North American operations as a percentage of total revenue decreased by 9.8 percentage points compared to Q2/16 and accounted for 35.5% of the wealth management revenue in Canada during the second quarter of fiscal 2017.

As a result of the revenue increase in Q2/17 compared to Q2/16 and the relatively fixed nature of expenses other than incentive compensation, total expenses as a percentage of revenue decreased by 2.0 percentage points compared to Q2/16.

Incentive compensation expense increased by $2.3 million compared to Q2/16 as a result of the increase in incentive-based revenue as well as higher share-based incentive compensation expense. Total compensation expense as a percentage of revenue decreased by 0.1 percentage point compared to Q2/16.

Non-compensation expense increased by 6.1% compared to Q2/16, mainly due to a $0.4 million increase in trading costs and a $0.2 million increase in communication and technology expense. Trading costs increased by $0.4 million as a result of changes made in fiscal 2016 in the allocation of certain trading, clearing and settlement charges from our Corporate and Other segment.

Income before income taxes for Q2/17 was $0.6 million compared to a loss of $1.7 million reported in Q2/16 primarily as a result of higher revenue and reduced salaries and benefits expense and intersegment allocations.

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

Revenue from Canaccord Genuity Wealth Management North America was $59.2 million during the six months ended September 30, 2016, an increase of $2.1 million from the same period in the prior year.

Expenses for the six months ended September 30, 2016 were $51.0 million, an increase of $1.6 million or 3.2% from the same period in the prior year mainly as a result of higher incentive compensation expense.

Incentive compensation expense increased by $1.2 million compared to the first six months of fiscal 2016 as a result of higher incentive-based revenue. Total compensation expense as a percentage of revenue decreased by 0.3 percentage point compared with the same period last year.

Non-compensation expense increased by 3.0% compared to the same period in the prior year, mainly due to a $1.0 million increase in trading costs and a $0.4 million increase in premises and equipment expense. The increase in trading costs resulted from a change in the allocation of certain trading, clearing and settlement charges from our Corporate and Other segment. The increases in trading costs and premises and equipment expense were offset by a decline in communication and technology expense, general and administrative expense, development costs as well as intersegment allocated costs from our Corporate and Other segment.

Income before income taxes for the six months ended September 30, 2016 was $1.0 million, compared to a loss before income taxes of $2.1 million for the same period a year ago mainly as a result of higher revenue.

CANACCORD GENUITY WEALTH MANAGEMENT UK & EUROPE[1]

(C$ thousands, except AUM (in C$ millions), number of employees, investment professionals and fund managers, and % amounts)	Three months ended September 30 2016	2015	Quarter-over-quarter change	Six months ended September 30 2016	2015	YTD-over-YTD change
Revenue	$ 33,958	$ 34,039	(0.2)%	$ 67,205	$ 68,406	(1.8)%
Expenses						
Incentive compensation	11,800	11,935	(1.1)%	24,373	24,301	0.3%
Salaries and benefits	5,307	6,023	(11.9)%	10,788	11,565	(6.7)%
Other overhead expenses	10,265	11,030	(6.9)%	20,189	21,949	(8.0)%
Total expenses	27,372	28,988	(5.6)%	55,350	57,815	(4.3)%
Intersegment allocations[2]	324	634	(48.9)%	644	1,231	(47.7)%
Income before income taxes[2]	$ 6,262	$ 4,417	41.8%	11,211	$ 9,360	19.8%
AUM – UK and Europe[3]	23,208	22,948	1.1%			
Number of investment professionals and fund managers – UK and Europe	118	114	3.5%			
Number of employees	312	313	(0.3)%			
Excluding significant items[4]						
Total expenses	$ 26,049	$ 27,431	(5.0)%	$ 52,622	$ 54,791	(4.0)%
Intersegment allocations[2]	324	634	(48.9)%	644	1,231	(47.7)%
Income before income taxes[2]	7,585	5,974	27.0%	13,939	12,384	12.6%

(1) Data is in accordance with IFRS except for AUM, number of investment professionals and fund managers and number of employees. See Non-IFRS Measures on page 9.
(2) Income before income taxes includes intersegment allocations. See the Intersegment Allocated Costs section on page 24.
(3) AUM in the UK & Europe is the market value of client assets managed and administered by the Company, from which the Company earns commissions and fees. This measure includes both discretionary and non-discretionary accounts.
(4) Refer to the Selected Financial Information Excluding Significant Items table on page 13.

Second quarter 2017 vs. second quarter 2016

Revenue generated by our Canaccord Genuity Wealth Management UK & Europe operations is largely produced through fee-related accounts and portfolio management activities and, as such, is less sensitive to changes in market conditions. Revenue for Q2/17 was $34.0 million, unchanged from Q2/16.

AUM in the UK & Europe as of September 30, 2016 was $23.2 billion, an increase of 1.1% compared to $22.9 billion as of September 30, 2015. Measured in local currency (GBP), AUM increased by 20.1% when compared to September 30, 2015 from £11.4 billion at September 30, 2015 to £13.6 billion at September 30, 2016. The fee-related revenue in our UK & European wealth management operations accounted for 70.9% of total revenue in this region in Q2/17. As discussed above, this business has a higher proportion of fee-related revenue and managed accounts compared to our Canadian wealth management business.

Incentive compensation expense was $11.8 million, a slight decrease of $0.1 million compared to Q2/16. Salaries and benefits expense decreased by $0.7 million compared to Q2/16 to $5.3 million in Q2/17. Total compensation expense (incentive compensation plus salaries and benefits) as a percentage of revenue decreased by 2.4 percentage points from 52.8% in Q2/16 to 50.4% in Q2/17 mainly due to the decline in salaries and benefits expense.

Other overhead expenses decreased by 6.9% compared to Q2/16, mainly due to a $0.9 million decrease in development costs as a result of lower system development costs incurred in Q2/17.

Income before income taxes was $6.3 million compared to $4.4 million in the same period a year ago as a result of a reduction in expenses. Excluding significant items[1], which include amortization of intangible assets, net income before income taxes was $7.6 million, an increase of $1.6 million compared to net income before income taxes of $6.0 million in Q2/16.

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

Revenue from Canaccord Genuity Wealth Management UK and Europe was $67.2 million for the six months ended September 30, 2016, a decrease of $1.2 million or 1.8% from the same period in the prior year.

Expenses for the six months ended September 30, 2016 were $55.4 million, a decrease of $2.5 million or 4.3% from the same period in the prior year.

Total compensation expense (incentive compensation plus salaries and benefits) as a percentage of revenue decreased by 0.1 percentage point to 52.3% for the six months ended September 30, 2016.

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

Trading costs increased by $0.6 million compared to the six months ended September 30, 2015. Communication and technology expense and general and administrative expense decreased by $0.7 million and $0.4 million, respectively, compared to the same period last year, mainly due to cost reduction efforts. Development costs decreased by $1.6 million compared to the six months ended September 30, 2015 to $1.0 million, due to lower system development costs.

Income before income taxes was $11.2 million compared to $9.4 million in the same period a year ago mainly as a result of expense reductions during the current period. Excluding significant items(1), net income before income taxes was $13.9 million, an increase of $1.6 million compared to the same period of the prior year.

CORPORATE AND OTHER(1)

(C$ thousands, except number of employees and % amounts)	Three months ended September 30 2016	2015	Quarter-over-quarter change	Six months ended September 30 2016	2015	YTD-over-YTD change
Revenue	**$ 2,907**	$ 3,897	(25.4)%	**$ 5,769**	$ 8,033	(28.2)%
Expenses						
Incentive compensation	**2,815**	1,561	80.3%	**4,428**	3,270	35.4%
Salaries and benefits	**6,420**	6,905	(7.0)%	**13,265**	14,634	(9.4)%
Other overhead expenses	**4,410**	4,792	(8.0)%	**8,662**	10,004	(13.4)%
Total expenses	**13,645**	13,258	2.9%	**26,355**	27,908	(5.6)%
Intersegment allocations(2)	**(8,650)**	(9,885)	12.5%	**(15,853)**	(18,993)	16.5%
(Loss) income before income taxes(2)	**(2,088)**	$ 524	n.m.	**(4,733)**	(882)	n.m.
Number of employees	**274**	317	(13.6)%			
Excluding significant items(3)						
Total expenses	**$ 13,645**	$ 13,258	2.9%	**$ 26,355**	$ 27,908	(5.6)%
Intersegment allocations(2)	**(8,650)**	(9,885)	12.5%	**(15,853)**	(18,993)	16.5%
Income (loss) before income taxes(2)	**(2,088)**	524	n.m.	**(4,733)**	(882)	n.m.

(1) Data is in accordance with IFRS except for figures excluding significant items and number of employees. See Non-IFRS Measures on page 9.
(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 13.
n.m.: not meaningful

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

Second quarter 2017 vs. second quarter 2016

Revenue in the Corporate and Other segment for the three months ended September 30, 2016 was $2.9 million, a decrease of 25.4% or $1.0 million from the same quarter a year ago due to a reduction in foreign exchange gains.

Expenses for Q2/17 decreased by $0.4 million or 2.9%, to $13.6 million compared to the three months ended September 30, 2015. Incentive compensation expense increased by $1.3 million compared to Q2/16 partially as a result of higher share based incentive compensation expense. Trading costs increased by $0.4 million compared to Q2/16 due to changes made in fiscal 2016 in the allocation of certain trading, clearing and settlement charges to the Canaccord Genuity and Canaccord Genuity Wealth Management segments, thus resulting in a lower trading cost recovery in Corporate and Other. Most of the other overhead expenses declined compared to Q2/16 as a result of cost reduction efforts.

Overall, loss before income taxes was $2.1 million compared to income before income taxes of $0.5 million in the same period a year ago as a result of the decline in revenue.

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

Revenue was $5.8 million for the six months ended September 30, 2016, a decline of $2.3 million from the same period in the prior year as a result of lower foreign exchange gains.

Expenses for the six months ended September 30, 2016 were $26.4 million, a decrease of $1.6 million from the same period last year. The overall decrease in expenses was mainly attributable to a $1.4 million decrease in salaries and benefits expense as a result of headcount reduction. In addition, general and administrative expense decreased by $0.9 million compared to the six months ended September 30, 2015 as a result of cost reduction efforts.

Overall, loss before income taxes, after intersegment allocations, was $4.7 million in the first half of fiscal 2017 compared to a loss before income taxes of $0.9 million in the same period a year ago.

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

Quarterly Results

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

The following table provides selected quarterly financial information for the eight most recently completed financial quarters ended on or before September 30, 2016. This information is unaudited but reflects all adjustments of a recurring nature, which are, in the opinion of management, necessary to present a fair statement of the results of operations for the periods presented. Quarter-to-quarter comparisons of financial results are not necessarily meaningful and should not be relied upon as indications of future performance.

(C$ thousands, except per share amounts)	Fiscal 2017 Q2	Fiscal 2017 Q1	Fiscal 2016 Q4	Fiscal 2016 Q3	Fiscal 2016 Q2	Fiscal 2016 Q1	Fiscal 2015 Q4	Fiscal 2015 Q3
Revenue								
Canaccord Genuity	**$ 127,005**	$ 140,598	$ 138,579	$ 122,145	$ 126,511	$ 145,035	$ 159,379	$ 103,866
Canaccord Genuity Wealth Management:								
North America	**29,732**	29,473	25,521	25,616	26,155	30,916	33,079	28,267
UK & Europe	**33,958**	33,247	34,913	35,040	34,039	34,367	35,672	29,965
Corporate and Other	**2,907**	2,862	1,899	(964)	3,897	4,136	4,335	4,373
Total revenue	**193,602**	206,180	200,912	181,837	$ 190,602	$ 214,454	$ 232,465	$ 166,471
Net (loss) income	**200**	7,455	(22,709)	(346,388)	(431)	10,961	(26,322)	(21,479)
(Loss) earnings per common share – basic	**$ (0.05)**	$ 0.04	$ (0.29)	$ (3.91)	$ (0.03)	$ 0.08	$ (0.33)	$ (0.27)
(Loss) earnings per common share – diluted	**$ (0.05)**	$ 0.04	$ (0.29)	$ (3.91)	$ (0.03)	$ 0.08	$ (0.33)	$ (0.27)

On a consolidated basis, revenue in Q2/17 was $193.6 million, a 1.6% increase compared to Q2/16 but a decrease of 6.1% compared to Q1/17. The Canaccord Genuity (capital markets) division, which has been affected by the decline in market conditions throughout fiscal 2016 and the first six months of fiscal 2017, experienced a small increase in revenue of 0.4% in Q2/17 compared to Q2/16, but decreased by 9.7% compared to Q1/17. Our Canadian capital markets operations generated higher revenues during Q4/16 and Q1/17 due to the completion of several large transactions, however, revenue decreased by 42.2% in Q2/17 compared to the previous quarter. Our UK & Europe capital markets operations continued to be negatively affected by the market conditions. Revenue decreased by 27.4% compared to the same period last year, but increased by 13.5% compared to the previous quarter. Revenue in our US operations remained relatively consistent compared to Q1/17 and the same period in the prior year. Our Other Foreign Locations operations have been reporting higher revenues in the recent quarters, with revenue reaching $16.0 million in Q2/17, the highest revenue in the past 8 quarters. The increase was mostly due to better performance by our Australian operations.

Total compensation expense as a percentage of revenue in our Canaccord Genuity segment has generally been negatively impacted by the decline in revenue and the fixed nature of certain compensation at the lower revenue levels, thus affecting overall profitability. Overhead expenses have generally been declining as a result of cost reduction efforts, most significantly in the general and administrative expense which decreased by 29.2% in Q2/17 compared to Q2/16.

Revenue in our Canaccord Genuity Wealth Management North America operations has increased in the first six months of fiscal 2017. Furthermore, this segment has continued to reduce its operating losses as a result of cost containment efforts, generating pre-tax profits over the past two quarters.

The Canaccord Genuity Wealth Management UK & Europe operations continued to experience steady revenue growth, and the fee-related revenue in this division has been steadily increasing. At the end of Q2/17, fee-related revenue was at 70.9%, a 0.9 percentage point increase from Q2/16. Assets under management for this group have also generally increased over the past eight completed financial quarters, reaching $23.2 billion as of the end of Q2/17.

The movement in revenue in the Corporate and Other division was mainly due to foreign exchange gains or losses resulting from fluctuations in the Canadian dollar, as well as changes in business volume within the correspondent brokerage services operations.

Intersegment Allocated Costs

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

Financial Condition

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

ASSETS

Cash and cash equivalents were $317.5 million on September 30, 2016 compared to $428.3 million on March 31, 2016. Refer to the Liquidity and Capital Resources section on page 25 for more details.

Securities owned were $651.1 million on September 30, 2016 compared to $564.7 million on March 31, 2016 due to an increase in equities and convertible debentures and corporate and government debt owned as of September 30, 2016.

Accounts receivable were $2.6 billion at September 30, 2016 compared to $2.0 billion at March 31, 2016, mainly due to an increase in receivables with brokers and investment dealers and clients.

Goodwill was $193.9 million and intangible assets were $110.0 million at September 30, 2016. At March 31, 2016, goodwill was $203.7 million and intangible assets were $120.2 million, representing the goodwill and intangible assets acquired through the purchases of Genuity Capital Markets, Collins Stewart Hawkpoint plc, and the wealth management business of Eden Financial Ltd.

Other assets, consisting of income taxes receivable, deferred tax assets, equipment and leasehold improvements, and investments, were $59.5 million at September 30, 2016 compared to $66.4 million at March 31, 2016, mainly due to a decrease in the net book value of equipment and leasehold improvements and a decrease in deferred tax assets.

LIABILITIES

Bank overdrafts and call loan facilities utilized by the Company may vary significantly on a day-to-day basis and depend on securities trading activity. At September 30, 2016, the Company had available credit facilities with banks in Canada and the UK in the aggregate amount of $678.6 million [March 31, 2016 — $697.3 million]. These credit facilities, consisting of call loans, subordinated debt, letters of credit and daylight overdraft facilities, are collateralized by either unpaid client securities and/or securities owned by the Company. On September 30, 2016, there was $49.1 million in bank indebtedness, compared to $14.9 million on March 31, 2016. The increase in bank indebtedness related to our UK & Europe operations.

Securities sold short were $491.5 million at September 30, 2016 compared to $427.4 million at March 31, 2016, mostly due to an increase in short positions in corporate and government debt.

Accounts payable and accrued liabilities, including provisions, were $2.7 billion at September 30, 2016, an increase from $2.2 billion at March 31, 2016, mainly due to an increase in payables to brokers and investment dealers, and clients.

Other liabilities, including subordinated debt, income taxes payable and deferred tax liabilities were $12.7 million at September 30, 2016, a decrease from $19.7 million at March 31, 2016. The decline is mostly due to repayment of $7.5 million of subordinated debt.

Non-controlling interests were $9.0 million at September 30, 2016 compared to $8.7 million at March 31, 2016, which represents 42% of the net assets of our operations in Australia.

Off-Balance Sheet Arrangements

As of September 30, 2016, a subsidiary of the Company had an irrevocable secured standby letter of credit from a financial institution totalling $2.7 million (US $2.0 million) [March 31, 2016 — $2.6 million (US$2.0 million)] as a rent guarantee for its leased premises in Boston and New York.

Liquidity and Capital Resources

The Company has a capital structure comprised of preferred shares, common shares, contributed surplus, retained earnings and accumulated other comprehensive income. On September 30, 2016, cash and cash equivalents were $317.5 million, a decrease of $110.8 million from $428.3 million as of March 31, 2016. During the six months ended September 30, 2016, financing activities provided cash in the amount of $4.4 million, mainly due to an increase in bank indebtedness, proceeds from the Private Placement, offset by cash dividends paid, repayment of subordinated debt and purchases of common shares for the long-term incentive plan (LTIP). Investing activities used cash in the amount of $2.4 million mainly for the purchase of equipment and leasehold improvements. Operating activities used cash in the amount of $106.9 million, which was largely due to changes in non-cash working capital. A decrease in cash of $5.9 million was attributable to the effect of foreign exchange translation on cash balances.

Compared to the six months ended September 30, 2015, cash provided by financing activities increased by $60.9 million, primarily due to an increase in bank indebtedness and proceeds from the Private Placement. Cash used in investing activities decreased by $4.1 million during the six months ended September 30, 2016 compared to the same period last year, mainly due to lower additions of intangible assets during the current period. Changes in working capital led to a decrease in cash generated by operating activities of $132.0 million. In addition, due to the depreciation of pound sterling and the US dollar against the Canadian dollar, the effect of foreign exchange on cash balances resulted in a further decrease of cash by $10.8 million. Overall, cash and cash equivalents increased by $28.1 million from $289.4 million at September 30, 2015 to $317.5 million at September 30, 2016.

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

As discussed above, subsidiaries of the Company also have other credit facilities, such as call loans, letters of credit and overdraft facilities, with banks in Canada and the UK. The aggregate amount of other credit facilities available to the Company was $678.6 million as of September 30, 2016.

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

The following table summarizes the Company's long term contractual obligations on September 30, 2016:

		Contractual obligations payments due by period			
(C$ thousands)	Total	Fiscal 2018	Fiscal 2019–Fiscal 2020	Fiscal 2021–Fiscal 2022	Thereafter
Premises and equipment operating leases	$ 146,988	$ 27,193	$ 44,227	$ 30,219	$ 45,349

Outstanding Share Data

	Outstanding shares as of September 30	
	2016	2015
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)	**91,162,982**	90,098,586
Issued shares outstanding(2)	**112,057,477**	102,978,795
Issued shares outstanding – diluted(3)	**115,221,706**	110,069,022
Average shares outstanding – basic	**90,321,945**	92,070,815
Average shares outstanding – diluted	**n/a**	97,232,059

(1) Excludes 1,749,383 outstanding unvested shares related to share purchase loans for recruitment and retention programs and 19,145,112 unvested shares purchased by employee benefit trusts for the LTIP.
(2) Includes 1,749,383 outstanding unvested shares related to share purchase loans for recruitment and retention programs and 19,145,112 unvested shares purchased by employee benefit trusts for the LTIP.
(3) Includes 3,164,249 share issuance commitments net of forfeitures.

Under the NCIB which commenced on August 13, 2015, and ended on August 12, 2016, a total of 482,367 common shares were purchased at a weighted average price per share of $5.3523. All these shares have been cancelled. On August 11, 2016, the Company filed a notice to renew the normal course issuer bid (NCIB) to provide the Company with the choice to purchase up to a maximum of 5,587,378 of its common shares during the period from August 15, 2016 to August 14, 2017 through the facilities of the TSX and on alternative trading systems in accordance with the requirements of the TSX. Shareholders may obtain a copy of the notice, without charge, by contacting the Company. The purpose of the purchase of common shares under the NCIB is to enable the Company to acquire shares for cancellation. The maximum number of shares that may be purchased under the current NCIB represents 5.0% of the Company's outstanding common shares at the time of the notice. There were no shares purchased and cancelled through the NCIB between April 1, 2016 and September 30, 2016.

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

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

As of October 31, 2016, the Company has 112,057,477 common shares issued and outstanding.

Share-based Payment Plans

There have been no updates to the share-based payment plans discussed in the 2016 Annual Report.

International Financial Centre

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

Financial Instruments

FOREIGN EXCHANGE

The Company manages its foreign exchange risk by periodically hedging pending settlements in foreign currencies. Realized and unrealized gains and losses related to these transactions are recognized in income during the period. On September 30, 2016, forward contracts outstanding to sell US dollars had a notional amount of US$2.0 million, a decrease of US$10.5 million compared to September 30, 2015. Forward contracts outstanding to buy US dollars had a notional amount of US$1.4 million, a decrease of US$6.1 million from September 30, 2015. The fair value of these contracts was nominal. Some of the Company's operations in the US, the UK & Europe, Australia, Hong Kong and China are conducted in the local currency; however, any foreign exchange risk in respect of these transactions is generally limited as pending settlements on both sides of the transaction are typically in the local currency.

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

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

FUTURES

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

At September 30, 2016, the notional amount of the Canadian bond futures contracts outstanding was long $1.8 million [March 31, 2016 — long $1.6 million], and the notional amount of US Treasury futures contracts outstanding held in a short position was $7.1 million (US$5.4 million) [March 31, 2016 — $nil].

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

Related Party Transactions

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

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

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

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

(C$ thousands)	**September 30, 2016**	March 31, 2016
Accounts Receivable	**$ 63**	$ 61
Accounts payable and accrued liabilities	**$ 1,573**	$ 4,035

Critical Accounting Policies and Estimates

The unaudited interim condensed consolidated financial statements for the quarter ended September 30, 2016 have been prepared in accordance with International Accounting Standard 34, "*Interim Financial Reporting*" (IAS 34), as issued by the International Accounting Standards Board (IASB).

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

In particular, the assessment for impairment of goodwill and identifiable indefinite life intangible assets requires management's best estimates in order to determine fair values using discounted cash flow projections that employ the following key assumptions: future cash flows, growth projections and discount rates. Due to continuing economic uncertainties, interim impairment tests were performed for goodwill and indefinite life intangible assets for all applicable cash-generating units (CGUs) as of September 30, 2016.

In accordance with IAS 36, "*Impairment of Assets*" (IAS 36), the recoverable amounts of the CGUs' net assets is determined using fair value less costs to sell (FVLCS) calculations, which are based on cash flow assumptions 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 CGU, cash flows are forecast over a five-year period, a terminal growth rate is applied and then such cash flows are discounted to their present value. The discount rate is based on the specific circumstances of each CGU and is derived from the estimated weighted average cost of capital of the Company. The CGUs which continued to record goodwill in their carrying value as of September 30, 2016 were Canaccord Genuity Canada and Canaccord Genuity Wealth Management UK & Europe. The discount rate utilized for each of these CGUs for the purposes of these calculations was 12.5% [March 31, 2016 — 12.5%]. Cash flow estimates for each of these CGUs were based on management assumptions and utilized five-year compound annual revenue growth rates of 5.0% [March 31, 2016 — 4.8% – 5.0%] as well as estimates in respect of operating margins. The terminal growth rate used for each of Canaccord Genuity Canada and Canaccord Genuity Wealth Management UK & Europe was 2.5% [March 31, 2016 — 2.5%].

Refer to Note 7 of the unaudited interim condensed consolidated financial statements for the six months ended September 30, 2016 for further information regarding the key assumptions used in connection with the September 30, 2016 interim impairment tests of goodwill and other assets.

Significant accounting policies used and policies requiring management's judgment and estimates have not changed during the first six months of fiscal 2017 and are discussed under "Critical Accounting Policies and Estimates" in our 2016 Annual Report.

Changes in Accounting Policies

There were no significant changes in the accounting policies discussed in Note 5 of the 2016 Audited Annual Consolidated Financial Statements, during the six months ended September 30, 2016.

Future Changes in Accounting Policies and Estimates

There have been no updates to the "Future Changes in Accounting Policies and Estimates" disclosed in our 2016 Annual Report, during the six months ended September 30, 2016.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

DISCLOSURE CONTROLS AND PROCEDURES

As of September 30, 2016, an evaluation was carried out, under the supervision of and with the participation of management, including the President & CEO and the Executive Vice President, Chief Financial & Risk Officer, of the effectiveness of our disclosure controls and procedures as defined under National Instrument 52-109. Based on that evaluation, the President & CEO and the Executive Vice President, Chief Financial & Risk Officer concluded that our disclosure controls and procedures were effective as at September 30, 2016.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes made in our internal control over financial reporting that occurred during the six months ended September 30, 2016, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Dividend Policy

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

Dividend Declaration

On November 1, 2016 the Board of Directors considered the Company's dividend policy in the context of the market environment and business activity and agreed to a continued suspension of the quarterly dividend on common shares. This suspension will be reviewed quarterly and a determination will be made on the basis of business conditions and profitability.

On November 1, 2016 the Board of Directors approved the following cash dividends: $0.24281 per Series A Preferred Share payable on January 3, 2017 with a record date of December 23, 2016; and $0.359375 per Series C Preferred Share payable on January 3, 2017 with a record date of December 23, 2016.

Risks

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

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

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

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

Additional Information

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

Unaudited Interim Condensed Consolidated Statements of Financial Position

As at (in thousands of Canadian dollars)	Notes	September 30, 2016	March 31, 2016
ASSETS			
Current			
Cash and cash equivalents		$ 317,527	$ 428,329
Securities owned	4	651,068	564,746
Accounts receivable	6, 15	2,629,075	2,041,150
Income taxes receivable		11,429	12,537
Total current assets		3,609,099	3,046,762
Deferred tax assets		9,950	11,221
Investments		5,264	5,578
Equipment and leasehold improvements		32,815	37,049
Intangible assets	7	109,896	120,204
Goodwill	7	193,877	203,732
		$ 3,960,901	$ 3,424,546
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Bank Indebtedness		$ 49,069	$ 14,910
Securities sold short	4	491,483	427,435
Accounts payable and accrued liabilities	6, 15	2,660,662	2,185,047
Provisions	17	10,102	18,811
Income taxes payable		4,957	4,242
Subordinated debt	10	7,500	15,000
Total current liabilities		3,223,773	2,665,445
Deferred tax liabilities		208	450
		3,223,981	2,665,895
Shareholders' equity			
Preferred shares	11	205,641	205,641
Common shares	12	629,532	617,756
Warrants	12	1,975	—
Contributed surplus		77,642	86,235
Retained earnings (deficit)		(295,120)	(294,586)
Accumulated other comprehensive income		108,258	134,883
Total shareholders' equity		727,928	749,929
Non-controlling interests		8,992	8,722
Total equity		736,920	758,651
		$ 3,960,901	$ 3,424,546

See accompanying notes

On behalf of the Board:

"*Daniel Daviau*"

DANIEL DAVIAU
Director

"*Terrence A. Lyons*"

TERRENCE A. LYONS
Director

Unaudited Interim Condensed Consolidated Statements of Operations

		For the three months ended		For the six months ended	
(in thousands of Canadian dollars, except per share amounts)	Notes	**September 30, 2016**	September 30, 2015	**September 30, 2016**	September 30, 2015
REVENUE					
Commissions and fees		**$ 95,342**	$ 89,182	**$ 188,214**	$ 183,888
Investment banking		**44,439**	31,490	**81,852**	96,903
Advisory fees		**18,016**	43,912	**57,322**	65,577
Principal trading		**26,859**	17,592	**54,405**	40,158
Interest		**4,005**	4,334	**7,613**	9,408
Other		**4,941**	4,092	**10,376**	9,122
		193,602	190,602	**399,782**	405,056
EXPENSES					
Incentive compensation		**104,080**	92,681	**211,655**	199,181
Salaries and benefits		**20,633**	22,510	**42,542**	45,074
Trading costs		**15,852**	14,107	**29,988**	27,917
Premises and equipment		**9,514**	10,051	**19,262**	19,937
Communication and technology		**14,409**	14,267	**26,743**	27,870
Interest		**2,584**	2,292	**6,026**	5,583
General and administrative		**18,735**	22,794	**38,283**	44,962
Amortization		**5,180**	6,453	**10,565**	12,586
Development costs		**1,858**	3,948	**3,950**	8,000
		$ 192,845	$ 189,103	**$ 389,014**	$ 391,110
Income before income taxes		**757**	1,499	**10,768**	13,946
Income taxes (recovery)					
Current		**1,355**	2,076	**3,117**	(1,126)
Deferred		**(798)**	(146)	**(4)**	4,542
	9	**557**	1,930	**3,113**	3,416
Net income (loss) for the period		**$ 200**	$ (431)	**$ 7,655**	$ 10,530
Net income (loss) attributable to:					
CGGI shareholders		**(1,220)**	$ (105)	**$ 5,462**	$ 10,309
Non-controlling interests		**1,420**	$ (326)	**$ 2,193**	$ 221
Weighted average number of common shares outstanding (thousands)					
Basic		**92,249**	91,465	**90,322**	92,071
Diluted		**n/a**	n/a	**n/a**	97,232
Net (loss) income per common share					
Basic	12iii	**$ (0.05)**	$ (0.03)	**$ (0.01)**	$ 0.05
Diluted	12iii	**$ (0.05)**	$ (0.03)	**$ (0.01)**	$ 0.04
Dividend per common share	13	**—**	$ 0.05	**—**	$ 0.10
Dividend per Series A Preferred Share	13	**$ 0.34**	$ 0.34	**$ 0.69**	$ 0.69
Dividend per Series C Preferred Share	13	**$ 0.36**	$ 0.36	**$ 0.72**	$ 0.72

See accompanying notes

Unaudited Interim Condensed Consolidated Statements of Comprehensive (Loss) Income

(in thousands of Canadian dollars)	For the three months ended September 30, 2016	For the three months ended September 30, 2015	For the six months ended September 30, 2016	For the six months ended September 30, 2015
Net income (loss) for the period	**$ 200**	$ (431)	**$ 7,655**	$ 10,530
Other comprehensive (loss) income				
Realized translation gains related to foreign operations disposed of during the period	**—**	—	**(1,560)**	—
Net change in unrealized (losses) gains on translation of foreign operations	**(7,225)**	17,968	**(24,662)**	42,029
Comprehensive (loss) income for the period	**$ (7,025)**	$ 17,537	**$ (18,567)**	$ 52,559
Comprehensive (loss) income attributable to:				
CGGI shareholders	**$ (7,876)**	$ 17,291	**$ (21,163)**	$ 50,928
Non-controlling interests	**$ 851**	$ 246	**$ 2,596**	$ 1,631

See accompanying notes

Unaudited Interim Condensed Consolidated Statements of Changes in Equity

For the six months ended (in thousands of Canadian dollars)	Notes	September 30, 2016	September 30, 2015
Preferred shares, opening and closing	11	$ 205,641	$ 205,641
Common shares, opening		617,756	620,858
Shares issued in connection with share-based payments		8,856	5,126
Acquisition of common shares for long-term incentive plan (LTIP)		(44,602)	(38,342)
Release of vested common shares from employee benefit trust		16,933	21,537
Shares issued in connection with private placement		26,601	—
Shares cancelled		—	(2,918)
Shares repurchased not yet cancelled		—	(106)
Net unvested share purchase loans		3,988	12,404
Common shares, closing	12	629,532	618,559
Warrants, opening		—	—
Warrants issued in connection with private placement		1,975	—
Warrants, closing	12	1,975	—
Contributed surplus, opening		86,235	85,597
Share-based payments		(7,785)	(11,113)
Shares cancelled		—	827
Unvested share purchase loans		(808)	(10,327)
Contributed surplus, closing		77,642	64,984
Retained earnings (deficit), opening		(294,586)	92,815
Net income attributable to CGGI shareholders		5,462	10,309
Preferred shares dividends	13	(5,996)	(5,996)
Common shares dividends	13	—	(11,077)
Retained earnings (deficit), closing		(295,120)	86,051
Accumulated other comprehensive income, opening		134,883	112,631
Other comprehensive (loss) income attributable to CGGI shareholders		(26,625)	40,619
Accumulated other comprehensive income, closing		108,258	153,250
Total shareholders' equity		727,928	1,128,485
Non-controlling interests, opening		8,722	10,275
Foreign exchange on non-controlling interests		194	(545)
Comprehensive income attributable to non-controlling interests		2,596	1,631
Dividends paid to non-controlling interests		(2,520)	—
Non-controlling interests, closing		8,992	11,361
Total equity		$ 736,920	$ 1,139,846

See accompanying notes

Unaudited Interim Condensed Consolidated Statements of Cash Flows

For the six months ended (in thousands of Canadian dollars)	Notes	September 30, 2016	September 30, 2015
OPERATING ACTIVITIES			
Net income for the period		$ 7,655	$ 10,530
Items not affecting cash			
Amortization		10,565	12,586
Deferred income tax (recovery) expense		(4)	4,542
Share-based compensation expense	14(ii)	19,866	20,158
Changes in non-cash working capital			
(Increase) decrease in securities owned		(86,476)	42,305
(Increase) decrease in accounts receivable		(607,800)	395,218
Decrease (increase) in income taxes receivable		2,857	(5,760)
Increase (decrease) in securities sold short		64,048	(41,976)
Increase (decrease) in accounts payable, accrued liabilities and provisions		482,394	(412,519)
Cash (used in) provided by operating activities		(106,895)	25,084
FINANCING ACTIVITIES			
Bank indebtedness		34,160	1,096
Proceeds from Private Placement		28,321	—
Acquisition of common shares for long-term incentive plan		(44,602)	(38,342)
Repayment of subordinated debt		(7,500)	—
Purchase of shares for cancellation		—	(2,091)
Cash dividends paid on common shares		—	(11,077)
Cash dividends paid on preferred shares		(5,998)	(5,996)
Proceeds from business disposition		96	—
Cash provided by (used in) financing activities		4,477	(56,410)
INVESTING ACTIVITIES			
Purchase of equipment and leasehold improvements		(2,440)	(3,016)
Purchase of intangible assets		—	(3,484)
Cash used in investing activities		(2,440)	(6,500)
Effect of foreign exchange on cash balances		(5,944)	4,887
Decrease in cash position		(110,802)	(32,939)
Cash position, beginning of period		428,329	322,324
Cash position, end of period		317,527	289,385
Supplemental cash flow information			
Interest received		$ 7,490	$ 6,344
Interest paid		$ 4,977	$ 4,792
Income taxes paid		$ 3,293	$ 8,286

See accompanying notes

Notes to Unaudited Interim Condensed Consolidated Financial Statements

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

NOTE 01 Corporate Information

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

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

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

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

NOTE 02 Basis of Preparation

STATEMENT OF COMPLIANCE

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

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

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

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

These unaudited interim condensed consolidated financial statements were authorized for issuance by the Company's Board of Directors on November 1, 2016.

USE OF JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

FUTURE ACCOUNTING DEVELOPMENTS

There have been no further updates to the future accounting developments disclosed in Note 4 of the March 31, 2016 consolidated financial statements, during the six months ended September 30, 2016.

NOTE 03 Summary of Significant Accounting Policies

There were no significant changes in the accounting policies discussed in Note 5 of the March 31, 2016 consolidated financial statements, during the six months ended September 30, 2016.

NOTE 04 Securities Owned and Securities Sold Short

	September 30, 2016		March 31, 2016	
	Securities owned	Securities sold short	Securities owned	Securities sold short
Corporate and government debt	$ 446,512	$ 392,277	$ 402,779	$ 341,264
Equities and convertible debentures	204,556	99,206	161,967	86,171
	$ 651,068	$ 491,483	$ 564,746	$ 427,435

As at September 30, 2016, corporate and government debt maturities range from 2016 to 2056 [March 31, 2016 – 2016 to 2097] and bear interest ranging from 0.00% to 12.0% [March 31, 2016 – 0.0% to 15.0%].

NOTE 05 Financial Instruments

The categories of financial instruments, other than cash and cash equivalents and bank indebtedness, held by the Company at June 30, 2016 and March 31, 2016 are as follows:

	Held for trading		Available for sale		Loans and receivables		Loans and borrowings		Total	
	September 30, 2016	March 31, 2016	September 30, 2016	March 31, 2016	September 30, 2016	March 31, 2016	September 30, 2016	March 31, 2016	September 30, 2016	March 31, 2016
Financial assets										
Securities owned	$ 651,068	$ 564,746	$ —	$ —	$ —	$ —	$ —	$ —	$ 651,068	$ 564,746
Accounts receivable from brokers and investment dealers	—	—	—	—	1,801,419	1,303,222	—	—	1,801,419	1,303,222
Accounts receivable from clients	—	—	—	—	483,104	365,272	—	—	483,104	365,272
RRSP cash balances held in trust	—	—	—	—	263,370	298,839	—	—	263,370	298,839
Other accounts receivable	—	—	—	—	81,182	73,817	—	—	81,182	73,817
Investments	—	—	5,264	5,578	—	—	—	—	5,264	5,578
Total financial assets	$ 651,068	$ 564,746	$ 5,264	$ 5,578	$ 2,629,075	$2,041,150	$ —	$ —	$ 3,285,407	$2,611,474
Financial liabilities										
Securities sold short	$ 491,483	$ 427,435	$ —	$ —	$ —	$ —	$ —	$ —	$ 491,483	$ 427,435
Accounts payable to brokers and investment dealers	—	—	—	—	—		1,241,360	986,993	1,241,360	986,993
Accounts payable to clients	—	—	—	—	—		1,220,056	992,661	1,220,056	992,661
Other accounts payable and accrued liabilities	—	—	—	—	—		199,246	205,393	199,246	205,393
Subordinated debt	—	—	—	—	—	—	7,500	15,000	7,500	15,000
Total financial liabilities	$ 491,483	$ 427,435	$ —	$ —	$ —	$ —	$ 2,668,162	$2,200,047	$ 3,159,645	$2,627,482

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

FAIR VALUE HIERARCHY

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

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

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

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

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

As at September 30, 2016, the Company held the following classes of financial instruments measured at fair value:

		Estimated fair value September 30, 2016		
	September 30, 2016	Level 1	Level 2	Level 3
Securities owned				
Corporate debt	$ 29,657	$ —	$ 29,657	$ —
Government debt	416,855	118,107	298,748	—
Corporate and government debt	446,512	118,107	328,405	—
Equities	201,656	167,989	33,397	270
Convertible debentures	2,900	—	2,900	—
Equities and convertible debentures	204,556	167,989	36,297	270
Available for sale investments	5,264		2,871	2,393
	656,332	286,096	367,573	2,663
Securities sold short				
Corporate debt	(11,849)	—	(11,849)	—
Government debt	(380,428)	(133,725)	(246,703)	—
Corporate and government debt	(392,277)	(133,725)	(258,552)	—
Equities	(99,206)	(84,175)	(15,031)	—
	(491,483)	(217,900)	(273,583)	—

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

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

Movement in net Level 3 financial assets

March 31, 2016	$	2,593
Other		70
September 30, 2016	**$**	**2,663**

FAIR VALUE ESTIMATION

i. Level 2 financial instruments

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

Level 2 financial instruments also include the Company's equity investment in Euroclear, which has an estimated fair value of $2.9 million as at September 30, 2016 [March 31, 2016 – $3.1 million]. The current fair value is determined using a market-based approach based on recent share buyback transactions.

ii. Level 3 financial instruments

a. Available for sale investments

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

b. Held for trading

The fair value for level 3 investments classified as held for trading is determined by the Company using a market-based approach with information that the Company has determined to be reliable, and represents the best estimate of fair value readily available. Prices for held for trading investments are determined based on the last trade price or offer price, or, if these prices are considered stale, the Company obtains information based on certain inquiries, recent trades or pending new issues. The fair value of the held for trading investments as at September 30, 2016 was $0.1 million [March 31, 2016 – $0.2 million].

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

Foreign exchange forward contracts

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

Forward contracts outstanding at September 30, 2016:

	Notional amount (millions)		Average price	Maturity		Fair value
To sell US dollars	**USD$**	**1.95**	**$1.31 (CAD/USD)**	**October 3, 2016**	**$**	**0.1**
To buy US dollars	**USD$**	**1.35**	**$1.31 (CAD/USD)**	**October 3, 2016**	**$**	**(0.1)**

Forward contracts outstanding at March 31, 2016:

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

The Company's Canaccord Genuity Wealth Management segment in the UK & Europe trades foreign exchange forward contracts on behalf of its clients, and establishes matching contracts with the counterparties. The Company has no significant net exposure, assuming no counterparty default. The principal currencies of the forward contracts are: the UK pound sterling, the US dollar, or the Euro. The weighted average term to maturity is 67 days as at September 30, 2016 [March 31, 2016 – 69 days]. The table below shows the fair value of the forward contract assets and liabilities, and the notional value of these forward contracts as at September 30, 2016 and March 31, 2016, respectively. The fair value of the forward contract assets and liabilities is included in the accounts receivable and payable balances.

	September 30, 2016			March 31, 2016		
	Assets	**Liabilities**	**Notional amount**	Assets	Liabilities	Notional amount
Foreign exchange forward contracts	**$ 3,476**	**$ (3,298)**	**$ 190,074**	$ 5,682	$ 5,441	$ 294,162

Futures

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

At September 30, 2016, the notional amount of the Canadian bond futures contracts outstanding was long $1.8 million [March 31, 2016 – long $1.6 million], and the notional amount of US Treasury futures contracts outstanding held in a short position was $7.1 million (US$5.4 million) [March 31, 2016 – $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 during the reporting period.

SECURITIES LENDING AND BORROWING

	Cash		Securities	
	Loaned or delivered as collateral	Borrowed or received as collateral	Loaned or delivered as collateral	Borrowed or received as collateral
September 30, 2016	**$ 106,010**	**$ 19,427**	**$ 19,134**	**$ 137,632**
March 31, 2016	$118,897	$26,586	$27,347	$159,616

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

NOTE 06 Accounts Receivable and Accounts Payable and Accrued Liabilities

ACCOUNTS RECEIVABLE

	September 30, 2016	March 31, 2016
Brokers and investment dealers	**$ 1,801,419**	$ 1,303,222
Clients	**483,104**	365,272
RRSP cash balances held in trust	**263,370**	298,839
Other	**81,182**	73,817
	$ 2,629,075	$ 2,041,150

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2016	March 31, 2016
Brokers and investment dealers	**$ 1,241,360**	$ 986,993
Clients	**1,220,056**	992,661
Other	**199,246**	205,393
	$ 2,660,662	$ 2,185,047

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

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

Amounts due from and to clients are due by the settlement date of the trade transaction. Margin loans are due on demand and are collateralized by the assets in the client's account. Interest on margin loans and on amounts due to clients is based on a floating rate [September 30, 2016 – 5.70% to 6.50% and 0.00% to 0.05%, respectively; March 31, 2016 – 5.70% to 6.50% and 0.00% to 0.05%, respectively].

As at September 30, 2016, the allowance for doubtful accounts was $7.1 million [March 31, 2016 – $10.8 million].

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

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

	Intangible assets with indefinite lives		Goodwill		Total	
	September 30, 2016	**March 31, 2016**	**September 30, 2016**	**March 31, 2016**	**September 30, 2016**	**March 31, 2016**
Canaccord Genuity						
Canada	**$ 44,930**	$ 44,930	**$ 92,074**	$ 92,074	**$ 137,004**	$ 137,004
Canaccord Genuity Wealth Management						
UK and Europe (Channel Islands)	**—**	—	**91,708**	100,585	**91,708**	100,585
UK and Europe	**—**	—	**10,095**	11,073	**10,095**	11,073
	$ 44,930	$ 44,930	**$ 193,877**	$ 203,732	**$ 238,807**	$ 248,662

The Genuity brand name is considered to have an indefinite life as the Company has no plans to cease its use in the future.

Goodwill and intangible assets with indefinite lives are tested for impairment annually at March 31, and when circumstances indicate the carrying value may potentially be impaired. If any indication of impairment exists, the Company estimates the recoverable amount of the CGU to which goodwill and indefinite life intangible assets are allocated. Where the carrying amount of a CGU exceeds its recoverable amount, an impairment loss is recognized. Any impairment loss first reduces the carrying amount of any goodwill allocated to the CGUs and then if any impairment loss remains, the other assets of the unit are reduced on a pro rata basis. Impairment losses relating to goodwill cannot be reversed in future periods. The Company considers the relationship between its market capitalization and the book value of its equity, among other factors, when reviewing for indicators of impairment. Consequently, interim goodwill and other assets impairment testing was carried out for all applicable CGUs at September 30, 2016.

In accordance with IAS 36, "Impairment of Assets" (IAS 36), the recoverable amounts of the CGUs' net assets have been determined using fair value less costs to sell (FVLCS) calculations, which are based on future cash flow assumptions considered to be appropriate for the purposes of such calculations. In accordance with IFRS 13 fair value represents an estimate of the price at which an orderly transaction to sell an asset or transfer a liability would take place between market participants as at the end of the reporting period under market conditions as at that date (an exit price as at the measurement date). There is a material degree of uncertainty with respect to the estimates of the recoverable amounts of the CGUs' net assets given that these estimates involve making key assumptions about the future. In making such assumptions, management has used its best estimate of future economic and market conditions within the context of the Company's capital markets and wealth management activities. These valuations are categorized as Level 3 in the fair value hierarchy.

The FVLCS calculations are based on assumptions, as described above, made in connection with future cash flows, relief of royalties with respect to the brand name indefinite life intangible asset, terminal growth rates and discount rates. In order to estimate the FVLCS for each CGU, cash flows are forecast over a five-year period, a terminal growth rate is applied and then such cash flows are discounted to their present value. The discount rate is based on the specific circumstances of each CGU and is derived from the estimated weighted average cost of capital of the Company. The CGUs which record goodwill in their carrying value as of September 30, 2016 were Canaccord Genuity, Canada and Canaccord Genuity Wealth Management UK & Europe (Channel Islands) and UK. The discount rate utilized for each of these CGUs for the purposes of these calculations was 12.5% [March 31, 2016 – 12.5%]. Cash flow estimates for each of these CGUs were based on management assumptions as described above and utilized a five year compound annual revenue growth rate of 5.0% [March 31, 2016 – 4.8% to 5.0%] as well as estimates in respect of operating margins. The terminal growth rate used for each of Canaccord Genuity, Canada and Canaccord Genuity Wealth Management UK & Europe (Channel Islands) and UK was 2.5% [March 31, 2016 – 2.5%].

Sensitivity testing was conducted as part of the impairment test of goodwill and indefinite life intangible assets for the Canaccord Genuity — Canada CGU. The sensitivity testing includes assessing the impact that reasonably possible declines in revenue estimates for the 12-month period ending on September 30, 2017 and declines in growth rates after that period and increases in the discount rates would have on the recoverable amounts of the CGUs, with other assumptions being held constant. An increase of the discount rate of 2.8 percentage points, a decrease in the estimated revenue for the 12-month period ending September 30, 2017 of $15.0 million or a decrease in the five year compound annual growth of 7.1 percentage points may result in the estimate of the recoverable amount declining below the carrying value with the result that an impairment charge may be required. Any such impairment charge would be determined after incorporating the effect of any changes in key assumptions including any consequential effects of such changes on estimated operating income and on other factors.

NOTE 08 Business Disposition

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

For the six months ended September 30, 2016, the Company recorded net income of $0.01 million attributable to the Singapore operation prior to its disposal.

The Company recognized a loss of $0.4 million on the disposal, as well as realized translation gain of $1.6 million which was previously included in accumulated other comprehensive income. The net gain of $1.2 million is included in other revenue in the statement of operations for the six months ended September 30, 2016.

NOTE 09 Income Taxes

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

	For the three months ended		For the six months ended	
	September 30, 2016	September 30, 2015	**September 30, 2016**	September 30, 2015
Income taxes at the statutory rate (F2017: 26.0%; F2016: 26.0%)	**$ 191**	$ 389	**$ 2,783**	$ 3,626
Difference in tax rates in foreign jurisdictions	**(649)**	(519)	**(660)**	(580)
Non-deductible items affecting the determination of taxable income	**614**	1,516	**1,030**	1,509
Share based payments	**1,785**	1,282	**102**	1,279
Change in accounting and tax base estimate	**18**	(304)	**50**	(1,032)
Tax rate differential	**(201)**	(680)	**(1,249)**	(649)
Tax losses and other temporary differences not recognized (utilization of tax losses previously not recognized)	**(1,201)**	246	**1,057**	(737)
Income tax expense – current and deferred	**$ 557**	$1,930	**$ 3,113**	$ 3,416

NOTE 10 Subordinated Debt

	September 30, 2016	March 31, 2016
Loan payable, interest payable monthly at prime + 4% per annum, due on demand	**$7,500**	$15,000

The loan payable is subject to a subordination agreement and may only be repaid with the prior approval of IIROC. As at September 30, 2016 and March 31, 2016, the interest rates for the subordinated debt were 6.7% and 6.7%, respectively. The carrying value of subordinated debt approximates its fair value due to the short term nature of this liability.

During the six months ended September 30, 2016, the Company repaid $7.5 million of the subordinated debt.

NOTE 11 Preferred Shares

	September 30, 2016		March 31, 2016	
	Amount	**Number of shares**	Amount	Number of shares
Series A Preferred Shares issued and outstanding	**$ 110,818**	**4,540,000**	$ 110,818	4,540,000
Series C Preferred Shares issued and outstanding	**97,450**	**4,000,000**	97,450	4,000,000
Series C Preferred Shares held in treasury	**(2,627)**	**(106,794)**	(2,627)	(106,794)
	94,823	**3,893,206**	94,823	3,893,206
	$ 205,641	**8,433,206**	$ 205,641	8,433,206

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

Holders of Series A Preferred Shares have the option to convert any or all of their shares into an equal number of Cumulative Floating Rate First Preferred Shares, Series B (Series B Preferred Shares), subject to certain conditions, on September 30, 2016 and on September 30 every five years thereafter. The number of shares tendered for conversion by the conversion deadline of September 15, 2016 was below the minimum required to proceed with the conversion and accordingly, no Series B Preferred Shares were issued.

NOTE 12 Common Shares

		September 30, 2016			March 31, 2016
		Amount	Number of shares	Amount	Number of shares
Issued and fully paid	$	764,959	112,057,477	$ 729,502	103,812,814
Unvested share purchase loans		(11,111)	(1,749,383)	(15,099)	(2,557,568)
Held for long-term incentive plan (LTIP)		(124,316)	(19,145,112)	(96,647)	(12,171,624)
	$	629,532	91,162,982	$ 617,756	89,083,622

Warrants		September 30, 2016			March 31, 2016
		Amount	Number of warrants	Amount	Number of warrants
Warrants issued in connection with Private Placement	$	1,975	3,365,281	$ —	—

[i] AUTHORIZED

Unlimited common shares without par value

[ii] ISSUED AND FULLY PAID

	Number of shares	Amount
Balance, March 31, 2016	103,812,814	$ 729,502
Shares issued in connection with share-based payment plans	1,300,613	8,251
Shares issued in connection with replacement plans	67,226	605
Shares issued in connection with private placement	6,876,824	26,601
Balance, September 30, 2016	**112,057,477**	**$ 764,959**

On August 11, 2016, the Company filed a notice to renew the normal course issuer bid (NCIB) to provide the Company with the choice to purchase up to a maximum of 5,587,378 of its common shares during the period from August 15, 2016 to August 14, 2017 through the facilities of the TSX and on alternative trading systems in accordance with the requirements of the TSX. The purpose of the purchase of common shares under the NCIB is to enable the Company to acquire shares for cancellation. The maximum number of shares that may be purchased under the current NCIB represents 5.0% of the Company's outstanding common shares at the time of the notice. There were no shares purchased and cancelled through the NCIB between April 1, 2016 and September 30, 2016.

During the six months ended September 30, 2016, the Company completed the closings of a non-brokered private placement ("Private Placement") to employees of the Company. In aggregate, the Company issued 6,876,824 Units at a price of $4.17 per unit for aggregate proceeds to the Company of $28.3 million. Each Unit consists of one common share ("Common Share") of the Company and one-half of one Common Share purchase warrant ("Warrant"). Each whole Warrant will entitle the holder to acquire one Common Share at an exercise price of $4.99 for the period from June 17, 2019 to December 17, 2019. Warrants are not listed and are not transferable.

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

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

[iii] (LOSS) EARNINGS PER COMMON SHARE

	For the three months ended		For the six months ended	
	September 30, 2016	September 30, 2015	**September 30, 2016**	September 30, 2015
Basic (loss) earnings per common share				
Net (loss) income attributable to CGGI shareholders	**$ (1,220)**	$ (105)	**$ 5,462**	$ 10,309
Preferred shares dividends	**(2,999)**	(2,998)	**(5,998)**	(5,996)
Net (loss) income available to common shareholders	**(4,219)**	(3,103)	**(536)**	4,313
Weighted average number of common shares (number)	**92,249,022**	91,465,410	**90,321,945**	92,070,815
Basic (loss) earnings per share	**$ (0.05)**	$ (0.03)	**$ (0.01)**	$ 0.05
Diluted (loss) earnings per common share				
Net (loss) income available to common shareholders	**(4,219)**	(3,103)	**(536)**	4,313
Weighted average number of common shares (number)	**n/a**	n/a	**n/a**	92,070,815
Dilutive effect in connection with LTIP (number)	**n/a**	n/a	**n/a**	4,433,271
Dilutive effect in connection with other share-based payment plans (number)	**n/a**	n/a	**n/a**	727,973
Adjusted weighted average number of common shares (number)	**n/a**	n/a	**n/a**	97,232,059
Diluted (loss) earnings per common share	**$ (0.05)**	$ (0.03)	**$ (0.01)**	$ 0.04

NOTE 13 Dividends

COMMON SHARES DIVIDENDS

The Board of Directors has continued the suspension of the quarterly dividend on common shares and as such there were no common shares dividends declared during the six months ended September 30, 2016.

PREFERRED SHARES DIVIDENDS

The Company declared the following preferred shares dividends during the six months ended September 30, 2016:

Record date	Payment date	Cash dividend per Series A Preferred Share	Cash dividend per Series C Preferred Share	Total preferred dividend amount
September 16, 2016	September 30, 2016	$ 0.34375	$ 0.359375	$ 2,998
June 17, 2016	June 30, 2016	$ 0.34375	$ 0.359375	$ 2,998

On November 1, 2016, the Board approved a cash dividend of $0.24281 per Series A Preferred Share payable on January 3, 2017 to Series A Preferred shareholders of record as at December 23, 2016 [Note 18]. The dividend rate is reset commencing October 1, 2016 [Note 11].

On November 1, 2016, the Board approved a cash dividend of $0.359375 per Series C Preferred Share payable on January 3, 2017 to Series C Preferred shareholders of record as at December 23, 2016 [Note 18].

NOTE 14 Share-Based Payment Plans

a. LONG-TERM INCENTIVE PLAN

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

The fair value of the RSUs at the measurement date is based on the purchase price of the shares by the Trusts on the open market and is amortized on a graded or straight-line basis over the vesting period of generally three years. Employees who participated in the Private Placement were granted RSUs during the six months ended September 30, 2016 which were similar to other grants made under the LTIP plan.

Total number of RSUs granted during the period was 11,034,184. The weighted average fair value of RSUs granted during the six month period ended September 30, 2016 was $4.79 [September 30, 2015 – $7.14].

	Number
Awards outstanding, March 31, 2016	11,962,855
Grants	11,034,184
Vested	(3,547,315)
Forfeited	(304,265)
Awards outstanding, September 30, 2016	**19,145,459**

	Number
Common shares held by the Trusts, March 31, 2016	12,171,624
Acquired	9,254,492
Released on vesting	(2,281,004)
Common shares held by the Trusts, September 30, 2016	**19,145,112**

b. SHARE-BASED COMPENSATION EXPENSE

	For the three months ended		For the six months ended	
	September 30, 2016	September 30, 2015	**September 30, 2016**	September 30, 2015
Long-term incentive plan	**$ 10,327**	$ 5,271	**$ 19,314**	$ 15,554
Forgivable common share purchase loans	**200**	1,488	**409**	3,009
CSH Inducement Plan	**309**	1,087	**800**	2,273
Deferred share units (cash-settled)	**(476)**	(364)	**(896)**	(281)
Other	**116**	(106)	**239**	(397)
Total share-based compensation expense	**$ 10,476**	$ 7,376	**$ 19,866**	$ 20,158

NOTE 15 Related Party Transactions

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

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

	September 30, 2016	March 31, 2016
Accounts receivable	**$ 63**	$ 61
Accounts payable and accrued liabilities	**$ 1,573**	$ 4,035

NOTE 16 Segmented Information

The Company operates in two industry segments as follows:

Canaccord Genuity — includes investment banking, research and trading activities on behalf of corporate, institutional and government clients as well as principal trading activities in Canada, the UK and Europe and the US. Operations located in Other Foreign Locations under Canaccord Genuity (Dubai) 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. The Company also does not allocate cash flows by reportable segments.

	For the three months ended							
	September 30, 2016				September 30, 2015			
	Canaccord Genuity	**Canaccord Genuity Wealth Management**	**Corporate and Other**	**Total**	Canaccord Genuity	Canaccord Genuity Wealth Management	Corporate and Other	Total
Revenues, excluding interest revenue	**$ 125,423**	**$ 61,512**	**$ 2,662**	**$ 189,597**	$ 125,807	$ 57,305	$ 3,156	$ 186,268
Interest revenue	**1,582**	**2,178**	**245**	**4,005**	704	2,889	741	4,334
Expenses, excluding undernoted	**120,828**	**49,287**	**13,108**	**183,223**	117,122	47,026	12,262	176,410
Amortization	**2,665**	**2,264**	**251**	**5,180**	3,579	2,597	277	6,453
Development costs	**869**	**942**	**47**	**1,858**	1,587	1,998	363	3,948
Interest expense	**2,282**	**63**	**239**	**2,584**	1,883	53	356	2,292
Income (loss) before intersegment allocations and income taxes	**361**	**11,134**	**(10,738)**	**757**	2,340	8,520	(9,361)	1,499
Intersegment allocations	**4,410**	**4,240**	**(8,650)**	**—**	4,114	5,771	(9,885)	—
Income (loss) before income taxes	**$ (4,049)**	**$ 6,894**	**$ (2,088)**	**$ 757**	$ (1,774)	$ 2,749	$ 524	$ 1,499

	For the six months ended							
	September 30, 2016				September 30, 2015			
	Canaccord Genuity	**Canaccord Genuity Wealth Management**	**Corporate and Other**	**Total**	Canaccord Genuity	Canaccord Genuity Wealth Management	Corporate and Other	Total
Revenues, excluding interest revenue	**$ 265,579**	**$ 122,078**	**$ 4,512**	**$ 392,169**	$ 269,603	$ 119,847	$ 6,198	$ 395,648
Interest revenue	**2,024**	**4,332**	**1,257**	**7,613**	1,943	5,630	1,835	9,408
Expenses, excluding undernoted	**244,090**	**99,509**	**24,874**	**368,473**	240,893	98,105	25,943	364,941
Amortization	**5,405**	**4,658**	**502**	**10,565**	6,954	5,077	555	12,586
Development costs	**1,451**	**2,109**	**390**	**3,950**	3,320	3,983	697	8,000
Interest expense	**5,324**	**113**	**589**	**6,026**	4,750	120	713	5,583
Income (loss) before intersegment allocations and income taxes	**11,333**	**20,021**	**(20,586)**	**10,768**	15,629	18,192	(19,875)	13,946
Intersegment allocations	**8,030**	**7,823**	**(15,853)**	**—**	8,103	10,890	(18,993)	—
Income (loss) before income taxes	**$ 3,303**	**$ 12,198**	**$ (4,733)**	**$ 10,768**	$ 7,526	$ 7,302	$ (882)	$ 13,946

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 (revenue is attributed to geographic areas on the basis of location of the underlying corporate operating results):

	For the three months ended		For the six months ended	
	September 30, 2016	September 30, 2015	**September 30, 2016**	September 30, 2015
Canada	**$ 60,046**	$ 54,349	**$ 140,675**	$ 123,356
UK and Europe	**61,778**	72,378	**119,543**	151,978
United States	**55,822**	56,393	**110,119**	111,549
Other Foreign Locations	**15,956**	7,482	**29,445**	18,173
	$ 193,602	$ 190,602	**$ 399,782**	$ 405,056

NOTE 17 Provisions and Contingencies

PROVISIONS

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. At each reporting date, the Company assesses the adequacy of its pre-existing provisions and adjusts the amounts as necessary. The following is a summary of the changes during the six months ended September 30, 2016:

	Legal provisions	Restructuring provisions	Total provisions
Balance, March 31, 2016	$ 3,600	$ 15,211	$ 18,811
Additions	5	—	5
Utilized	(1,700)	(5,741)	(7,441)
Balance, June 30, 2016	1,905	9,470	11,375
Additions	**321**	—	**321**
Utilized	**(194)**	**(1,400)**	**(1,594)**
Balance, September 30, 2016	**2,032**	**8,070**	**10,102**

The restructuring provisions at September 30, 2016 relate primarily to termination benefits incurred as part of the Company's reorganization.

Commitments, litigation proceedings and contingent liabilities

In the normal course of business, the Company is involved in litigation, and as of September 30, 2016, it was a defendant in various legal actions. The Company has established provisions for matters where payments are probable and can be reasonably estimated. While the outcome of these actions is subject to future resolution, management's evaluation and analysis of these actions indicate that, individually and in the aggregate, the probable ultimate resolution of these actions will not have a material effect on the financial position of the Company. In addition to such matters and matters described in the Company's audited annual consolidated financial statements as at and for the year ended March 31, 2016 the amount claimed in the following matter is material and, accordingly, is described herein.

An action has been commenced by a former client and others claiming the return of losses in certain accounts, return of administration fees, interest and costs. The claim alleges breach of contract and negligence in the administration of the accounts. The damages claimed in this action are in excess of $14 million. Although the Company has denied the allegations and intends to vigorously defend itself, the probable outcome of this action and a reliable estimate of the amount of damages in the event of an adverse outcome are not determinable at the date of these unaudited interim condensed consolidated financial statements.

The Company is also subject to asserted and unasserted claims arising in the normal course of business which, as of September 30, 2016, have not resulted in the commencement of legal actions. The Company cannot determine the effect of all asserted and unasserted claims on its financial position; however, where losses arising from asserted and unasserted claims are considered probable and where such losses can be reasonably estimated, the Company has recorded a provision.

NOTE 18 Subsequent Events

(i) DIVIDENDS

On November 1, 2016 the Board of Directors considered the Company's dividend policy in the context of the market environment and business activity and approved a continued suspension of the quarterly dividend on common shares. This suspension will be reviewed quarterly and a determination made on the basis of business conditions and profitability.

On November 1, 2016 the Board of Directors approved the following cash dividends: $0.24281 per Series A Preferred Share payable on January 3, 2017 with a record date of December 23, 2016; and $0.359375 per Series C Preferred Share payable on January 3, 2017 with a record date of December 23, 2016.

(ii) PRIVATE PLACEMENT

On September 21, 2016, the Company announced a $60.0 million private placement of convertible unsecured senior subordinated debentures. The debentures will bear interest at a rate of 6.50% per annum and will be convertible at the holders' option into the Company's common shares at a conversion price of $6.50 per share. The debentures will mature on December 31, 2021 and may be redeemed by the Company, in certain circumstances after December 31, 2019. The Company intends to use the net proceeds to finance growth in its wealth management business in Canada as well as for general corporate purposes. Closing was completed on October 28, 2016.

Shareholder Information

Corporate Headquarters

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Stock Exchange Listing

Common shares:
TSX: CF

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

Corporate Website

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General Shareholder Inquiries and Information

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

Expected Dividend(1) and Earnings Release Dates for the Next Four Quarters

	Expected earnings release date	Preferred dividend record date	Preferred dividend payment date	Common dividend record date	Common dividend payment date
Q3/17	February 9, 2017	March 17, 2017	March 31, 2017	February 24, 2017	March 10, 2017
Q4/17	June 1, 2017	June 16, 2017	June 30, 2017	June 16, 2017	July 3, 2017
Q1/18	August 2, 2017	September 15, 2017	October 2, 2017	September 1, 2017	September 15, 2017
Q2/18	November 8, 2017	December 22, 2017	January 2, 2018	December 1, 2017	December 15, 2017

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

Shareholder Administration

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

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

Financial Information

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

Auditor

Ernst & Young LLP
Chartered Professional Accountants
Vancouver, BC

CANACCORD Genuity