CANACCORD Genuity

FIRST QUARTER

Fiscal 2018 Report to Shareholders

To us there are no foreign markets.™

Canaccord Genuity Group Inc. Reports First Quarter Fiscal 2018 Results

Excluding significant items, first quarter loss per common share of $0.01(1)

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

TORONTO, August 2, 2017 – During the first quarter of fiscal 2018, the quarter ended June 30, 2017, Canaccord Genuity Group Inc. (Canaccord Genuity, the Company, TSX: CF) generated $199.8 million in revenue. Excluding significant items(1), the Company recorded net income(3) of $1.6 million or a net loss of $0.6 million attributable to common shareholders(2) (a loss per common share of $0.01). Including all significant items, on an IFRS basis, the Company recorded a net loss(3) of $2.6 million or a net loss attributable to common shareholders (2) of $4.8 million (a loss per common share of $0.05).

''The progress we are making to adjust our business mix and increase contributions from our global wealth management businesses is evident in our first quarter results, and we look forward to further enhancing our earnings stability following the integration of our recently announced acquisition to grow our UK wealth management business,'' said Dan Daviau, President & CEO of Canaccord Genuity Group Inc. ''While we remain cautious in our outlook for near-term in capital markets activities, we are encouraged by indications of broader and more sustainable economic growth, as we continue to improve our market position in all geographies where we operate.''

First Quarter of Fiscal 2018 vs. First Quarter of Fiscal 2017

- Revenue of $199.8 million, a decrease of 3.1% or $6.4 million from $206.2 million
- Excluding significant items, expenses of $197.0 million, an increase of 1.6% or $3.1 million from $193.9 million(1)
- Expenses of $201.6 million, an increase of 2.8% or $5.4 million from $196.2 million
- Excluding significant items, loss per common share of $0.01 compared to earnings per common share of $0.05(1)
- Excluding significant items, net income(3) of $1.6 million compared to net income(3) of $8.1 million(1)
- Net loss(3) of $2.6 million compared to net income(3) of $7.5 million
- Loss per common share of $0.05 compared to earnings per common share of $0.04

First Quarter of Fiscal 2018 vs Fourth Quarter of Fiscal 2017

- Revenue of $199.8 million, a decrease of 26.4% or $71.9 million from $271.7 million
- Excluding significant items, expenses of $197.0 million, a decrease of 15.2% or $35.2 million from $232.2 million(1)
- Expenses of $201.6 million, a decrease of 14.0% or $32.7 million from $234.3 million
- Excluding significant items, loss per common share of $0.01 compared to earnings per common share of $0.27(1)
- Excluding significant items, net income(3) of $1.6 million compared to net income(3) of $32.7 million(1)
- Net loss(3) of $2.6 million compared to net income(3) of $31.0 million
- Loss per common share of $0.05 compared to earnings per common share of $0.26

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Financial Condition at End of First Quarter Fiscal 2018 vs. Fourth Quarter Fiscal 2017

- Cash and cash equivalents balance of $521.7 million, a decrease of $156.1 million from $677.8 million
- Working capital of $467.5 million, a decrease of $21.0 million from $488.5 million
- Total shareholders' equity of $741.9 million, a decrease of $22.9 million from $764.8 million
- Book value per diluted common share of $4.91, a decrease of $0.17 from $5.08[4]
- On August 2, 2017, the Board of Directors approved a cash dividend of $0.01 per common share payable on September 15, 2017 with a record date of September 1, 2017.
- On August 2, 2017, the Board of Directors approved a cash dividend of $0.24281 per Series A Preferred Share payable on October 2, 2017 with a record date of September 15, 2017, and a cash dividend of $0.31206 per Series C Preferred Share payable on October 2, 2017 with a record date of September 15, 2017.

Summary of Operations

CORPORATE

- On May 5, 2017, Dvai Ghose was appointed to Head of Strategic Development for the Company. This appointment takes advantage of Dvai's exceptional analytical skills and almost three decades of global investment industry experience and perspective that he brings to his existing role as Global Head of Equity Research. As a member of the Global Operating Committee and a long-standing partner in our firm, Dvai is well suited to work closely with the global partners and executives responsible for setting the overall strategic direction of the Company, so that we can continue to drive innovation and efficiency while we look to maximize long-term performance across our operations and geographies.
- On June 1, 2017, the Company announced that the dividend rate on its Cumulative 5-Year Rate Reset First Preferred Shares, Series C (the "Series C Preferred Shares") for the period from July 1, 2017 to June 30, 2022 would be 4.993% per annum.
- On June 16, 2017, the Company announced that the number of Series C Preferred Shares tendered for conversion into Cumulative Floating Rate First Preferred Shares, Series D (the "Series D Preferred Shares") did not meet the minimum required and, accordingly, no Series D Preferred Shares were issued.
- On July 5, 2017, the Company announced that through its UK & Europe based wealth management business, Canaccord Genuity Wealth Management ("CGWM (UK)"), it has agreed to acquire Hargreave Hale Limited ("Hargreave Hale"), a leading independent UK-based investment and wealth management business. Under the terms of the transaction, the Company will acquire 100% of Hargreave Hale for an initial consideration of £52.1 million (C$88.1 million) and additional contingent consideration of up to £27.5 million (C$46.5 million). The contingent consideration is structured to be payable over a period of up to three years, subject to the achievement of certain performance targets related to the retention and growth of client assets and revenues and an amount determined with reference to the fund management business. The initial consideration will be funded in part from a credit facility provided to CGWM (UK) by National Westminster Bank plc and HSBC Bank plc in the amount of £40.0 million (C$67.6 million). Additional contingent consideration, if paid, will be funded from the ongoing cash flow of the business.

  Acquisition-related costs comprised of deal costs, transaction fees, and incentive-based payments subject to certain performance criteria are expected to be approximately £16.0 million (C$27.0 million) of which £8.0 million (C$13.5 million) is expected to be expensed at the time of closing, with the balance to be expensed as a significant item over a four-year measurement period. The Company expensed $2.2 million of acquisition-related costs for the three months ended June 30, 2017.

  The acquisition will be effected by a Scheme of Arrangement under the UK Companies Act 2006 and the closing of the acquisition is subject to regulatory approval and approval by shareholders of Hargreave Hale and other customary closing conditions. The Company has received irrevocable undertakings in favour of the transaction from shareholders of Hargreave Hale, representing 81.0% of shares outstanding. The acquisition is expected to be completed prior to the end of the third quarter of fiscal 2018.
- On August 1, 2017, Canaccord Genuity Acquisition Corp. ("CGAC"), a newly organized special purpose acquisition corporation formed for the purpose of effecting a qualifying acquisition of one or more businesses, announced the closing of its initial public offering of $30.0 million of Class A Restricted Voting Units. The sponsor of CGAC is a wholly-owned subsidiary of the Company and owns an approximate 27% interest in CGAC.

CAPITAL MARKETS

- Canaccord Genuity participated in 98 investment banking transactions globally, raising total proceeds of C$12.7 billion[5] during fiscal Q1/18
- Canaccord Genuity led or co-led 46 transactions globally, raising total proceeds of C$4.6 billion[5] during fiscal Q1/18
- Significant investment banking transactions for Canaccord Genuity during fiscal Q1/18 include:
  - £267.7 million for HICL Infrastructure Company on LSE
  - Two transactions totaling C$184.1 million for Pure Multi-Family REIT on TSX
  - C$140.0 million for DHX Media Ltd. on TSX
  - £90.0 million equity raise for Oxenwood Real Estate for its purchase of Ultrabox Logiostics Portfolio
  - C$200.0 million for Cobalt27 Capital Corp. on TSXV
  - AUD$151.0 million for Infigen Energy Limited on ASX
  - AUD$115.9 million for Cooper Energy Limited on ASX
  - £15.2 million for Eland Oil & Gas plc on AIM
  - £39.0 million for Telit Communications PLC on AIM

- C$80.0 million for Brio Gold on TSX
- C$75.0 million for Aurora Cannabis on TSXV
- US$63.6 million IPO for Zymeworks on NYSE & TSX
- Two transactions totaling C$37.7 million for Seabridge Gold Inc. on TSX
- US$21.6 million for Synacor Inc. on Nasdaq
- US$42.9 million for Savara Inc. on Nasdaq
- C$46.2 million for Automotive Finco Corp. on TSXV
- C$35.2 million for Golden Leaf Holdings on CSE
- C$25.0 million private placement for Invictus MD Strategies Corp. on TSX
- C$21.8 million for Pro Real Estate Investment Trust on TSX
- US$16.4 million American Depositary Shares for Sequans Communications S.A. on NYSE
- US$12.0 million for ContraVir on Nasdaq
- AUD$15.0 million for Tawana Resources NL on ASX
- AUD$13.5 million initial public offering for Cann Group Limited on ASX
- AUD$12.3 million for Talga Resources Ltd. on ASX

- In Canada, Canaccord Genuity participated in raising $166.4 million for government and corporate bond issuances during fiscal Q1/18
- Canaccord Genuity generated advisory revenues of $18.9 million during fiscal Q1/18, a decrease of $20.5 million or 52.0% compared to the same quarter last year
- During fiscal Q1/18, significant M&A and advisory transactions included:
  - DCC plc on the £219.0 million sale of DCC Environmental
  - Savara Inc. on its merger with Mast Therapeutics Inc.
  - SignUpGenius Inc. on its majority recapitalization by Providence Equity Partners
  - Halt Medical Inc. on its sale to Acessa AssetCo LLC pursuant to §363 of the U.S. bankruptcy code
  - Maxwell Technologies on its acquisition of Nesscap Energy
  - DHX Media on its US$345.0 million acquisition of Peanuts and Strawberry Shortcake
  - Sonoma Orthopedic Products Inc. on its sale to an undisclosed strategic party
  - WiLan on its acquisition of VIZIYA
  - Cinven on its €500.0 million acquisition of Chryso
  - Growth Capital Partners on its investment in First Mile Limited
  - Argus de la Presse on its disposal of Cision

CANACCORD GENUITY WEALTH MANAGEMENT (GLOBAL)

- Globally, Canaccord Genuity Wealth Management generated $76.1 million in revenue in Q1/18
- Assets under administration in Canada and assets under management in the UK & Europe and Australia were $39.3 billion at the end of Q1/18[4]

CANACCORD GENUITY WEALTH MANAGEMENT (NORTH AMERICA)

- Canaccord Genuity Wealth Management (North America) generated $36.9 million in revenue and, after intersegment allocations and before taxes, recorded net income of $3.2 million in Q1/18
- Assets under administration in Canada were $12.7 billion as at June 30, 2017 a decrease of 4.3% from $13.2 billion at the end of the previous quarter and an increase of 29.1% from $9.8 billion at the end of fiscal Q1/17[4]
- Assets under management in Canada (discretionary) were $2.6 billion as at June 30, 2017, consistent with the previous quarter and an increase of 108.8% from $1.3 billion at the end of fiscal Q1/17[4]
- Canaccord Genuity Wealth Management had 135 Advisory Teams[6] at the end of fiscal Q1/18, a decrease of six Advisory Teams from March 31, 2017 and a decrease of three from June 30, 2016

CANACCORD GENUITY WEALTH MANAGEMENT (UK & EUROPE)

- Wealth management operations in the UK & Europe generated $38.0 million in revenue and, after intersegment allocations, and excluding significant items, recorded net income of $8.5 million before taxes in Q1/18[1]
- Assets under management (discretionary and non-discretionary) were $25.8 billion (£15.3 billion) as at June 30, 2017, an increase of 5.0% from $24.5 billion (£14.7 billion) at the end of the previous quarter and an increase of 14.9% from $22.4 billion (£12.9 billion) at June 30, 2016[4]. In local currency (GBP), assets under management at June 30, 2017 increased by 4.2% compared to March 31, 2017 and 18.9% compared to June 30, 2016.

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

NON-IFRS MEASURES

The non-International Financial Reporting Standards (IFRS) measures presented include assets under administration, assets under management, book value per diluted common share and figures that exclude significant items. Significant items include restructuring costs, amortization of intangible assets acquired in connection with a business combination, impairment of goodwill and other assets, acquisition-related expense items, which include costs recognized in relation to both prospective and completed acquisitions, gains or losses related to business disposals including recognition of realized translation gains on the disposal of foreign operations, as well as certain expense items, typically included in development costs, which are considered by management to reflect a singular charge of a non-operating nature. Book value per diluted common share is calculated as total common shareholders' equity adjusted for assumed proceeds from the exercise of options and warrants and conversion of convertible debentures divided by the number of diluted common shares outstanding including estimated amounts in respect of share issuance commitments including options, warrants, and convertible debentures, as applicable, and adjusted for shares purchased under the 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 June 30		
(C$ thousands, except per share and % amounts)	**2017**	2016	Quarter-over-quarter change
Total revenue per IFRS	**$ 199,808**	$ 206,180	(3.1)%
Total expenses per IFRS	**$ 201,580**	$ 196,169	2.8%
Revenue			
Significant items recorded in Canaccord Genuity			
Realized translation gains on disposal of Singapore	**—**	1,193	n.m.
Total revenue excluding significant items	**199,808**	204,987	(2.5)%
Expenses			
Significant items recorded in Canaccord Genuity			
Amortization of intangible assets	**580**	818	(29.1)%
Restructuring costs[2]	**448**	—	n.m.
Significant items recorded in Canaccord Genuity Wealth Management			
Amortization of intangible assets	**1,324**	1,405	(5.8)%
Acquisition-related costs	**2,184**	—	n.m.
Total significant items	**4,536**	2,223	104.0%
Total revenue excluding significant items	**199,808**	204,987	(2.5)%
Total expenses excluding significant items	**197,044**	193,946	1.6%
Net (loss) income before taxes – adjusted	**$ 2,764**	$ 11,041	(75.0)%
Income taxes – adjusted	**1,149**	2,902	(60.4)%
Net (loss) income – adjusted	**$ 1,615**	$ 8,139	(80.2)%
Net (loss) income attributable to common shareholders, adjusted	**(627)**	4,300	(114.6)%
(Loss) earnings per common share – basic, adjusted	**$ (0.01)**	$ 0.05	(120.0)%
(Loss) earnings per common share – diluted, adjusted	**$ (0.01)**	$ 0.05	(120.0)%

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 8.
(2) Restructuring costs for the three months ended June 30, 2017 were incurred in connection with the closing of certain trading operations in Dublin which formed part of our UK capital markets operations.
n.m.: not meaningful

Fellow Shareholders:

During the first quarter of our 2018 fiscal year, continued uncertainty remained an important feature in global capital markets. In the UK & Europe, uncertainty over the political backdrop and the future path of monetary policy led to a volatile quarter despite positive returns amid stronger corporate earnings. US Equities advanced over the quarter and the S&P 500 recorded a total return of 3.1%, but activity levels were lower amid uncertainty that the US administration will be able to deliver on its fiscally expansive policies, and small and mid-cap equities underperformed large caps over the period. Canadian equity markets were impacted by concerns over energy and commodity markets, as well as housing market risks.

Canaccord Genuity Group Inc. earned total revenue of $199.8 million for the first fiscal quarter, a decrease of 3.1% compared to the same period a year ago. While the environment did weigh on the results this quarter, we continued to make excellent progress to deliver on our strategy of increasing contributions from our global wealth management operations and focusing on our initiatives to improve stability across our operations.

Executing on our strategy: Growing wealth management to stabilize headline performance

At the end of our first fiscal quarter, assets under management and administration in our global wealth management businesses grew to $39.3 billion, an improvement of 19.2% compared to one year ago.

Our wealth management business in the UK & Europe delivered another strong quarterly performance, with a year-over-year revenue increase of 14.4%. Excluding significant items, this business delivered $8.5 million of net income and a pre-tax profit margin of 22.2%. At the end of the first quarter, assets under management totalled $25.8 billion, a year-over-year increase of 15%. When measured in local currency, assets under management increased by 18.9% compared to a year ago.

In early July, we announced that this division has agreed to acquire Hargreave Hale, a leading independent UK-based investment and wealth management business. With this development, Canaccord Genuity Wealth Management is poised to become a top 10 wealth management business in the region by assets, with even stronger growth potential from a base of £22 billion. The acquisition is subject to regulatory approval and other customary closing conditions and is expected to be completed prior to the end of our third fiscal quarter. As a result of this development, the Company recorded $2.2 million of acquisition related costs. Along with the senior management of Hargreave Hale, we are confident that bringing together our shared strengths and complementary differences will allow us to unlock some larger opportunities for both businesses and deliver enhanced value for our clients and shareholders and we expect that the business combination will be immediately accretive.

Our Canadian wealth management business also delivered a significant improvement in profitability for the first fiscal quarter. Excluding significant items, this business contributed net income of $3.2 million, or a pre-tax profit margin improvement of 7.4 percentage points compared to the first quarter of our last fiscal year. This improvement was driven primarily by our efforts to increase scale in this business, as revenues generated from the new assets that we have added to our platform are being more wholly reflected in our results. Excluding significant items, total expenses as a percentage of revenue in this business decreased by 7.7 percentage points, a measure we expect to continually improve as we achieve greater scale in this operation. At the end of the first fiscal quarter, assets under administration and management in our Canadian wealth management business were $12.7 billion, an improvement of 29.1% compared to the same period last year. Notably, discretionary assets under management in this business have increased by 108.8% compared to the same period last year. Our recruiting efforts in this business remain on track and we continue to attract interest from a solid pipeline of high quality investment advisors.

Global Capital Markets

The robust market backdrop that characterized our fourth fiscal quarter was replaced with more subdued activity levels in global capital markets for our first quarter of fiscal 2018. That said, we supported our clients when market opportunities presented. During the first quarter of fiscal 2018, Canaccord Genuity participated in 98 investment banking transactions to raise proceeds of $12.7 billion for growth companies.

Revenue for our global capital markets business was $121.8 million, a decrease of 13.4% compared to the first quarter of our last fiscal year, primarily on lower advisory fees revenue. While still below historic levels, we experienced a modest improvement in revenue generated from investment banking activities from our operations in Canada, US and the UK & Europe. In Canada, investment banking revenue increased by 28.7% compared to the first quarter of last year. Investment banking revenues in our US and our UK, Europe & Dubai operations increased by 16.8% and 18.4% respectively. These gains were offset by a decrease in Australia, the first period of subdued activity following two years of strong gains, as investors transitioned away from small and mid-cap stocks.

While our Canadian capital markets business achieved profitability during the quarter, the year-over-year decline in advisory revenues was most pronounced for this business, largely due to an exceptionally strong quarter in the prior year. Global trading revenue was down by $1.7 million compared to the same quarter last year, primarily due to lower activity in our UK, Europe & Dubai operation. This result was partially offset by our US trading operation, which delivered 5.1% higher revenue on a year-over-year basis, a testament to this team's efforts to attract increased client flows and grow our specialty trading capability, despite reduced market activity arising from generally lower market volatility.

While fiscal and policy regulation remains uncertain, ample liquidity in emerging and developed markets gives us confidence in an improving backdrop for new listings and equity capital markets activities throughout the coming quarters. Additionally, we expect that low volatility should support a healthy M&A pipeline.

Innovating to support a vibrant marketplace for growth companies

Subsequent to the end of the quarter, Canaccord Genuity Acquisition Corp., a special purpose acquisition company (SPAC) in Canada was established, for which we successfully raised $30 million in funding. This development allows us to support high-potential growth companies gain access to investment capital and a method by which to go public, while simultaneously offering access to a broadly desirable investment vehicle to our network of retail investors across Canada. By leveraging our core capability as a leader in raising capital for growth companies, we are very well positioned to identify compelling investment opportunities, as we contribute to a vibrant marketplace for growth companies in Canada. I look forward to updating you on our progress when we introduce a qualifying acquisition.

Significant opportunities to expand long-term capability for our business, in any market environment

We have consistently noted that variability of results is an inevitable feature of our global capital markets business, and therefore we focus on operating our business for long-term success and stability.

Since we began our restructuring and cost reduction activities in the third quarter of fiscal 2016, we have continued to manage our expenses carefully throughout various market backdrops and we have improved operational efficiencies across many areas of our business. We continue to be well capitalized for investment in our key priorities, with working capital of $467.5 million and cash & cash equivalents of $521.7 million at June 30. I am also pleased to report that our Board of Directors has approved a cash dividend of $0.01 per share for the quarter.

To date, I am pleased with the steady progress we are making to adjust our business mix and strengthen our market position across our operations. While we remain cautious in the near term, we are encouraged by indications of an improving global economy, with potential for broader and more sustainable growth than we have seen in recent years. The many talented professionals that we have recruited and retained across our global capital markets operations have remained active throughout the summer months, working hard to strengthen our market position so that we can deliver for our clients when market conditions are favourable. In our wealth management operations, we continue to focus on growing assets under management and increasing contributions from fee-based accounts, which will improve net income contributions from this segment and continue to enhance our longer-term earnings stability.

Kind regards,

DAN DAVIAU
President & CEO
Canaccord Genuity Group Inc.

Management’s Discussion and Analysis

First quarter fiscal 2018 for the three months ended June 30, 2017 — this document is dated August 2, 2017

The following discussion of the financial condition and results of operations for Canaccord Genuity Group Inc. is provided to enable the reader to assess material changes in our financial condition and to assess results for the three-month period ended June 30, 2017 compared to the corresponding period in the preceding fiscal year. The three-month period ended June 30, 2017 is also referred to as first quarter 2018 and Q1/18. 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 month period ended June 30, 2017, beginning on page 28 of this report; our Annual Information Form (AIF) dated June 23, 2017; and the 2017 annual Management’s Discussion and Analysis (MD&A) including the audited consolidated financial statements for the fiscal year ended March 31, 2017 (Audited Annual Consolidated Financial Statements) in the Company’s annual report dated June 1, 2017 (the 2017 Annual Report). There has been no material change to the information contained in the annual MD&A for fiscal 2017 except as disclosed in this MD&A. The Company’s financial information is expressed in Canadian dollars unless otherwise specified.

Cautionary Statement Regarding Forward-Looking Information

This document may contain “forward-looking statements” (as defined under applicable securities laws). These statements relate to future events or future performance and reflect management’s expectations, beliefs, plans, estimates, intentions and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts, including business and economic conditions and the Company’s growth, results of operations, performance and business prospects and opportunities. Such forward-looking statements reflect management’s current beliefs and are based on information currently available to management. In some cases, forward-looking statements can be identified by terminology such as “may”, “will”, “should”, “expect”, “plan”, “anticipate”, “believe”, “estimate”, “predict”, “potential”, “continue”, “target”, “intend”, “could” or the negative of these terms or other comparable terminology. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and a number of factors could cause actual events or results to differ materially from the results discussed in the forward-looking statements. In evaluating these statements, readers should specifically consider various factors that may cause actual results to differ materially from any forward-looking statement. These factors include, but are not limited to, market and general economic conditions, the nature of the financial services industry and the risks and uncertainties discussed from time to time in the Company’s interim condensed and annual consolidated financial statements and in its 2017 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 2018 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 2017 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 also 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-month period ended June 30, 2017 (First Quarter 2018 Financial Statements) prepared in accordance with International Financial Reporting Standards (IFRS). The First Quarter 2018 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, 2017.

NON-IFRS MEASURES

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

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

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

Financial statement items that exclude significant items are non-IFRS measures. Significant items for these purposes include restructuring costs, amortization of intangible assets acquired in connection with a business combination, impairment of goodwill and other assets, acquisition-related expense items, which include costs recognized in relation to both prospective and completed acquisitions, gains or losses related to business disposals including recognition of realized translation gains on the disposal of foreign operations, as well as certain expense items, typically included in development costs, which are considered by management to reflect a singular charge of a non-operating nature. 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, Australia, the UK, Guernsey, Jersey, and the Isle of Man. 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.

Market Environment during Q1 fiscal 2018

Economic backdrop:

During the first quarter of fiscal 2018, economic statistics showed continued labour market improvements as well as progress in global trade, with increased port and railroad traffic. Consumer price inflation receded somewhat on a global basis, but resilient consumption expenditures, increased manufacturing production and the robust recovery in global corporate earnings have validated the upbeat business and consumer confidence readings that registered at the end of Fiscal 2017.

Against this backdrop, broad market indices posted positive returns in the quarter: S&P 500 (+3.1%), European equities (+6.4%) and EM equities (+6.7%). Conversely, a strong Canadian dollar (+2.7%) and a relapse in commodity prices (-5.5%) led to a decline in the S&P/TSX (-1.6%) over the three-month period.

Investment banking and advisory

Our capital raising and advisory activities are primarily focused on small and mid-capitalization companies in specific growth sectors of the global economy, as outlined on page 2. These sectors may experience growth or downturns independent of broader economic and market conditions, and government regulation can also have a more profound impact on capital formation for smaller companies. Volatility in the business environment for these industries or in the market for securities of companies within these industries in the regions where we operate could adversely affect our financial results and ultimately, the market value of our shares. Advisory revenues are primarily dependent on the successful completion of merger, acquisition or restructuring mandate. Weak economic and global financial market conditions can result in a challenging business environment for small and mid-market M&A activity, but may provide opportunities for our restructuring business.

Capital raising and advisory activity levels in the first fiscal quarter of fiscal 2018 were more subdued than in most recent quarter. Global M&A activity for small and mid-cap companies dipped during the quarter against a backdrop of ongoing political and economic uncertainty. Rising stock prices and falling volatility during the period created a favourable environment for companies looking to raise capital, and new issue activity in Canada and the US increased on a year-over-year basis, but remained below historic levels. During the quarter, our Australian operation experienced a significant slowdown in capital raising activity, as investors transitioned away from small and mid-cap equities. Although signs of stability began to return to the UK market, following the Brexit-related disruption to equity and currency markets a year ago, an uncertain environment for capital raising activities continued through the first quarter of fiscal 2018, despite stronger corporate earnings. In anticipation of the changes related to MiFID II and volatile new issue activity, we have continued to advance our strategy to strengthen this business for long-term performance.

Trading

The historically low level of global equity market volatility, as indicated by the CBOE Volatility Index (VIX) in the U.S., led to lower trading volumes across our operations, when compared to the most recent quarter.

Global small and mid-capitalization trading volumes (50-day moving average)

Period ends	Q2/17 30-Sep-16	Q2 change (y/y)	Q3/17 31-Dec-16	Q3 change (y/y)	Q4/17 31-Mar-17	Q4 change (y/y)	Q1/18 30-Jun-17	Q1 change (y/y)	Q1 change (q/q)
Russell 2000	3,065.8	4.8%	3,227.7	11.6%	3,422.1	32.5%	3,474.8	22.9%	-1.5%
S&P Midcap	1,553.3	7.8%	1,603.7	12.0%	1,713.5	27.6%	1,737.1	17.9%	-1.4%
FTSE 100	6,806.0	7.6%	6,901.6	10.3%	7,280.1	21.2%	7,413.4	19.8%	-1.8%
MSCI EU MidCap ETF	155.7	12.6%	159.9	15.7%	171.5	27.8%	183.1	31.3%	-6.8%
TSX Composite	14,644.1	5.9%	15,004.4	12.4%	15,565.4	20.6%	15,427.1	10.7%	0.9%

Source: FactSet

Global wealth management

During the fiscal first quarter, market values in the US, UK & Europe and emerging markets improved modestly. Canadian equity markets were impacted by concerns over energy and commodity markets, as well as housing market risks. As a result, the TSX and TSXV ended the quarter down 2.4% and 6% respectively, and market values of Canadian equities were lower during the period.

Total Return (excl. currencies)	Q117 Change(Q/Q)	Q217 Change(Q/Q)	Q317 Change(Q/Q)	Q417 Change(Q/Q)	Q118 Change(Q/Q)	Fiscal 2017 Change(Y/Y)	Fiscal 2016 Change(Y/Y)
S&P 500	2.5%	3.9%	3.8%	6.1%	3.1%	17.2%	1.8%
S&P/TSX	5.1%	5.5%	4.5%	2.4%	-1.6%	18.6%	-6.6%
MSCI EAFE	-1.2%	6.5%	-0.7%	7.4%	6.4%	12.2%	-7.9%
MSCI EMERGING MARKETS	0.8%	7.7%	-1.4%	7.8%	6.7%	15.5%	-7.4%
S&P GS COMMODITY INDEX	12.7%	-4.2%	5.8%	-5.1%	-5.5%	8.4%	-28.7%
US 10-YEAR T-BONDS	3.3%	-0.8%	-6.0%	0.8%	0.9%	-3.0%	3.1%
CAD/USD	0.6%	-1.6%	-2.3%	0.9%	2.7%	-2.3%	-2.4%
CAD/EUR	3.1%	-2.7%	4.5%	-0.4%	-4.3%	4.4%	-8.0%

Source: Thomson Reuters Datastream

Increasing regulatory burdens and rising costs have dramatically changed the competitive environment for the wealth management industry. Many smaller firms have been forced to consolidate or exit the business, which has helped to drive asset-gathering opportunities for our business, with the scale and resources available to meet these changes. As retail investors increasingly demand access to the same asset classes and investment strategies as institutional investors, Canaccord Genuity Wealth Management advisory teams have been able to deliver differentiated and highly personalized advice and services to our clients in all geographies where we have wealth management operations.

Fiscal 2018 Outlook

After the IMF, the Bank for International Settlements (BIS) also lifted its global growth forecast for calendar 2017. According to the BIS, economic growth prospects improved considerably as headwinds abate, global growth gathers steam, monetary policy is gradually normalized, and the expansion becomes entrenched and sustainable. Also, the acceleration in earnings growth, the weakness of the US dollar and prospects of higher commodity prices with the reacceleration of the global economy suggest a gradual recovery in CapEx growth during fiscal 2018. As such, we expect commodities along with the energy and material sectors to outperform in fiscal 2018.

With regard to equity markets, improved economic growth should support earnings globally. However, with major world central banks looking at normalizing monetary policies, and elevated market valuations in Canada and in the US, we expect market volatility to increase from current levels. Also, equity-market correction risks typically increase when markets become earnings driven rather than P/E driven. That being said, we continue to expect that global equities will deliver positive returns for investors.

With regards to capital market activities, we expect liquidity to remain abundant and a favourable environment for financing conditions in fiscal 2018. The broadening global economic growth reacceleration and elevated valuation multiples prevailing in equity markets are generally supportive for M&A and new issue activities. We expect that financing activities will get a lift from resource companies looking to resume capital expenditures and/or acquire inexpensive assets. Otherwise, agency trading activities usually get support from increased, but not extreme, market volatility. Finally, we expect that positive asset returns should continue to sustain the much improved performance in our global wealth management operations.

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, France, Ireland, the US, China, Hong Kong, Australia and Dubai.

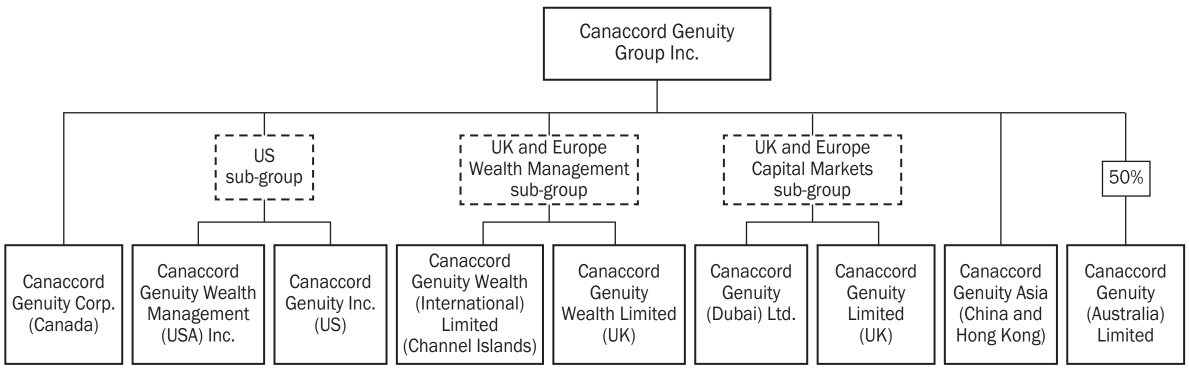
Canaccord Genuity Wealth Management

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 in Canada, 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 June 30, 2017 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, 2017 — 58%].

Consolidated Operating Results

FIRST QUARTER FISCAL 2018 SUMMARY DATA[(1)(2)]

(C$ thousands, except per share and % amounts, and number of employees)	Three months ended June 30 2017	2016	2015	Q1/18 vs. Q1/17
Canaccord Genuity Group Inc. (CGGI)				
Revenue				
Commissions and fees	$ 104,955	$ 92,872	$ 94,706	13.0%
Investment banking	40,696	37,125	65,064	9.6%
Advisory fees	18,896	39,594	22,014	(52.3)%
Principal trading	25,887	27,546	22,566	(6.0)%
Interest	5,176	3,608	5,074	43.5%
Other	4,198	5,435	5,030	(22.8)%
Total revenue	199,808	206,180	214,454	(3.1)%
Expenses				
Incentive compensation	106,304	107,575	106,500	(1.2)%
Salaries and benefits	22,407	21,909	22,564	2.3%
Other overhead expenses[(3)]	70,237	66,685	72,943	5.3%
Acquisition-related costs	2,184	—	—	n.m.
Restructuring costs[(4)]	448	—	—	n.m.
Total expenses	201,580	196,169	202,007	2.8%
(Loss) income before income taxes	(1,772)	10,011	12,447	(117.7)%
Net (loss) income	$ (2,560)	$ 7,455	$ 10,961	(134.3)%
Net (loss) income attributable to:				
CGGI shareholders	$ (2,262)	$ 6,682	$ 10,414	(133.9)%
Non-controlling interests	$ (298)	$ 773	$ 547	(138.6)%
(Loss) earnings per common share – diluted	$ (0.05)	$ 0.04	$ 0.08	(225.0)%
Return on common equity (ROE)	(3.5)%	2.8%	3.2%	(6.3) p.p.
Dividends per common share	$ 0.01	$ —	$ 0.05	n.m.
Book value per diluted common share[(5)]	$ 4.91	$ 4.75	$ 8.34	3.3%
Total assets	$ 3,623,250	$ 4,083,107	$ 4,428,413	(11.3)%
Total liabilities	$ 2,868,892	$ 3,337,537	$ 3,288,860	(14.0)%
Non-controlling interests	$ 12,481	$ 9,892	$ 11,584	26.2%
Total shareholders' equity	$ 741,877	$ 735,678	$ 1,127,969	0.8%
Number of employees	1,697	1,737	1,902	(2.3)%
Excluding significant items[(6)]				
Total revenue	$ 199,808	$ 204,987	$ 214,454	(2.5)%
Total expenses	197,044	193,946	199,130	1.6%
Income before income taxes	2,764	11,041	15,324	(75.0)%
Net income	1,615	8,139	13,319	(80.2)%
Net (loss) income attributable to:				
CGGI shareholders	1,913	7,299	12,529	(73.8)%
Non-controlling interests	(298)	840	790	(135.5)%
(Loss) earnings per common share – diluted	(0.01)	0.05	0.10	(120.0)%

(1) Data is in accordance with IFRS except for ROE, book value per diluted common share, figures excluding significant items and number of employees. See Non-IFRS Measures on page 8.
(2) The operating results of the Australian operations have been fully consolidated and a 42% non-controlling interest has been recognized for the three months ended June 30, 2017 [three months ended June 30, 2016 — 42% and three months ended June 30, 2015 — 40%.].
(3) Consists of trading costs, premises and equipment, communication and technology, interest, general and administrative, amortization of tangible and intangible assets, and development costs.
(4) Restructuring costs for the three months ended June 30, 2017 were incurred in connection with the closing of certain trading operations in Dublin which formed part of our UK capital markets operations.
(5) Book value per diluted common share is calculated as total common shareholders' equity adjusted for assumed proceeds from the exercise of options and warrants and the conversion of convertible debentures, divided by the number of diluted common shares outstanding including estimated amounts in respect of share issuance commitments including options, warrants, and convertible debentures, and 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 (loss) income and (loss) earnings per common share excluding significant items reflect tax-effected adjustments related to such items. See the Selected Financial Information Excluding Significant Items table on the next page.
n.m.: not meaningful
p.p.: percentage points

SELECTED FINANCIAL INFORMATION EXCLUDING SIGNIFICANT ITEMS[(1)]

(C$ thousands, except per share and % amounts)	Three months ended June 30 2017	2016	Quarter-over-quarter change
Total revenue per IFRS	$ **199,808**	$ 206,180	(3.1)%
Total expenses per IFRS	$ **201,580**	$ 196,169	2.8%
Revenue			
Significant items recorded in Canaccord Genuity			
Realized translation gains on disposal of Singapore	**—**	1,193	n.m.
Total revenue excluding significant items	**199,808**	204,987	(2.5)%
Expenses			
Significant items recorded in Canaccord Genuity			
Amortization of intangible assets	**580**	818	(29.1)%
Restructuring costs[(2)]	**448**	—	n.m.
Significant items recorded in Canaccord Genuity Wealth Management			
Amortization of intangible assets	**1,324**	1,405	(5.8)%
Acquisition-related costs	**2,184**	—	n.m.
Total significant items	**4,536**	2,223	104.0%
Total revenue excluding significant items	**199,808**	204,987	(2.5)%
Total expenses excluding significant items	**197,044**	193,946	1.6%
Net (loss) income before taxes – adjusted	$ **2,764**	$ 11,041	(75.0)%
Income taxes – adjusted	**1,149**	2,902	(60.4)%
Net (loss) income – adjusted	$ **1,615**	$ 8,139	(80.2)%
Net (loss) income attributable to common shareholders, adjusted	**(627)**	4,300	(114.6)%
(Loss) earnings per common share – basic, adjusted	$ **(0.01)**	$ 0.05	(120.0)%
(Loss) earnings per common share – diluted, adjusted	$ **(0.01)**	$ 0.05	(120.0)%

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 8
(2) Restructuring costs for the three months ended June 30, 2017 were incurred in connection with the closing of certain trading operations in Dublin which formed part of our UK capital markets operations.
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 5.7% in Q1/18 when compared to Q1/17, while the US dollar appreciated against the Canadian dollar by approximately 4.5%. 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.

Geographies

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

Goodwill

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

Utilizing management's 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 June 30, 2017, the continuing uncertainty in the economic environment may cause this determination to change. If the business climate remains uncertain and the Company is unable to achieve its internal forecasts the Company may determine that there has been impairment and the Company may be required to record a goodwill impairment charge in future periods in respect of the Canaccord Genuity Wealth Management business units in the UK & Europe or in respect of the remaining goodwill recorded in Canaccord Genuity Canada. Adverse changes in the key assumptions utilized for purposes of impairment testing for goodwill and indefinite life intangible assets may result in the estimated recoverable amount of some or all of the applicable business units declining below the carrying value with the result that impairment charges may be required. The amount of any impairment charge would affect some or all of the amounts recorded for goodwill and indefinite life intangible assets. Any such impairment charges would be determined after incorporating the effect of any changes in key assumptions including any consequential effects of such changes on estimated operating income and on other factors. In addition, notwithstanding that there may be no change in the performance estimates used by the Company for purposes of determining whether there has been any impairment in its indefinite life intangible asset relating to the Genuity brand name, in the event that the Company changes the way in which it uses that asset the Company may be required to record an impairment charge.

Revenue

First quarter 2018 vs. first quarter 2017

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 June 30, 2017 was $199.8 million, a decrease of 3.1% or $6.4 million compared to the same period a year ago. The Canaccord Genuity segment experienced a decrease of $18.8 million or 13.4% in Q1/18 compared to the same quarter in the prior year, mainly due to lower advisory fees revenue. Partially offsetting this decrease in the Canaccord Genuity segment, the Canaccord Genuity Wealth Management segment generated revenue of $75.0 million during the three months ended June 30, 2017, representing an increase of $12.2 million over Q1/17. This increase was mainly due to higher commissions and fees revenue.

Revenue from commissions and fees is primarily generated from private client trading activity and institutional sales and trading. Revenue generated from commissions and fees increased by $12.1 million, to $105.0 million in Q1/18, compared to the same period a year ago as a result of the growth in both our Canadian and UK & Europe wealth management operations.

Investment banking revenue increased by $3.6 million or 9.6% compared to the same period a year ago, to $40.7 million in Q1/18. The increases in investment banking revenue for Canada, US, and UK were partially offset by a decrease in Australia. The most significant increase was in Canada, where investment banking revenue increased by $4.2 million or 28.7% compared to the same period last year.

Advisory fee revenue was $18.9 million, a decrease of $20.7 million or 52.3% from the same quarter a year ago. Our Canadian capital markets operations reported a decrease in advisory fee revenue of $20.1 million. This decrease reflects the fact that there were certain large transactions completed during Q1/17 which caused advisory fee revenue during that quarter to be substantially higher than a typical quarter. Our US operations also reported a decrease of $2.1 million in advisory fee revenue compared to Q1/17. Offsetting these decreases was an increase of $1.8 million in advisory fee revenue in our UK operations compared to the same period last year.

Principal trading revenue was $25.9 million in Q1/18, representing a $1.7 million decrease compared to Q1/17, mainly as a result of lower revenue generated in our UK operations offset by higher revenue earned by our international equities group in the US.

Interest revenue was $5.2 million for the three months ended June 30, 2017, representing an increase of $1.6 million from Q1/17, mostly attributable to our Canadian operations. Other revenue was $4.2 million for Q1/18, a decrease of $1.2 million from the same period a year ago primarily as a result of the realized translation gains on disposal of our Singapore operations recognized in Q1/17.

Expenses

Expenses for the three months ended June 30, 2017 were $201.6 million, an increase of 2.8% or $5.4 million from Q1/17. With the decrease in revenue during the quarter and the non-variable nature of certain infrastructure and overhead costs as well as certain components of incentive compensation, total expenses excluding significant items[(1)] as a percentage of revenue increased by 4.0 percentage points compared to the three months ended June 30, 2016.

EXPENSES AS A PERCENTAGE OF REVENUE

	Three months ended June 30		
	2017	2016	Quarter-over-quarter change
Incentive compensation	**53.2%**	52.2%	1.0 p.p
Salaries and benefits	**11.2%**	10.6%	0.6 p.p
Other overhead expenses[(1)]	**35.2%**	32.3%	2.9 p.p
Restructuring costs	**0.2%**	—	0.2%
Acquisition – related costs	**1.1%**	—	1.1%
Total	**100.9%**	95.1%	5.8 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

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

Compensation expense

First quarter 2018 vs. first quarter 2017

Incentive compensation expense was $106.3 million, a decrease of 1.2% compared to Q1/17. Incentive compensation expense as a percentage of revenue was 53.2%, an increase of 1.0 percentage point from the same period last year. This increase reflects the fact that certain components of incentive compensation, such as the amortization of share-based awards made in prior periods and salary levels which exceed amounts recorded in certain incentive compensation pools, are fixed and do not vary with revenue in the current period. Salaries and benefits expense related to infrastructure and support groups in the current quarter increased by $0.5 million or 2.3% from Q1/17. Total compensation expense (incentive compensation plus salaries and benefits) as a percentage of revenue increased from 62.8% in Q1/17 to 64.4% in Q1/18.

OTHER OVERHEAD EXPENSES

	Three months ended June 30		
(C$ thousands, except % amounts)	**2017**	2016	Quarter-over-quarter change
Trading costs	$ **17,252**	$ 14,136	22.0%
Premises and equipment	**10,109**	9,748	3.7%
Communication and technology	**12,658**	12,334	2.6%
Interest	**4,445**	3,442	29.1%
General and administrative	**19,300**	19,548	(1.3)%
Amortization(1)	**4,994**	5,385	(7.3)%
Development costs	**1,479**	2,092	(29.3)%
Total other overhead expenses	$ **70,237**	$ 66,685	5.3%

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

First quarter 2018 vs. first quarter 2017

Other overhead expenses were $70.2 million, or 5.3% higher in Q1/18 compared to Q1/17. As a percentage of revenue, other overhead expenses increased by 2.9 percentage points compared to Q1/17. The overall increase in other overhead expenses was mainly driven by increases in trading costs and interest expense, offset by decreases in our general and administrative expense, amortization expense and development costs.

Development costs decreased by $0.6 million compared to the three months ended June 30, 2016, mainly due to lower hiring incentives and lower system development costs across our US and UK capital markets operations, partially offset by increased new-hire incentive payments in our Canadian wealth management operations.

Amortization expense was $5.0 million for the three months ended June 30, 2017, a decrease of $0.4 million from the same quarter in the prior year because of a decrease in intangible assets amortization related to our Australian operations.

Higher trading costs in our US operations was the primary reason for the $3.1 million increase in trading costs in Q1/18 compared to Q1/17. Trading costs in the US are impacted by the costs of ADR conversions and international settling and clearing costs which do not necessarily vary with revenue. Interest expense increased by $1.0 million primarily in our Corporate & Other segment as a result of additional interest associated with the $60.0 million convertible unsecured senior subordinated debentures that were issued in Q3/17.

In Q1/18, $0.5 million were reported as restructuring costs in connection with the closing of certain trading operations in Dublin which formed part of our UK capital markets operations. No restructuring costs were recorded during the same period last year.

The Company also recorded $2.2 million of acquisition related costs in relation to the proposed acquisition of Hargreave Hale. The acquisition-related costs include professional and consulting fees incurred during the quarter.

Net (loss) income

First quarter 2018 vs. first quarter 2017

Net loss for Q1/18 was $2.6 million compared to net income of $7.5 million in the same period a year ago. Loss per common share was $0.05 in Q1/18 compared to earnings per common share of $0.04 in Q1/17.

Excluding significant items[1], which include amortization of certain intangible assets, acquisition-related costs and restructuring expense and before non-controlling interests and preferred shares dividends, net income for Q1/18 was $1.6 million compared to a net income of $8.1 million in Q1/17. Loss per common share, excluding significant items[1], was $0.01 in Q1/18 compared to earnings per common share excluding significant items[1] of $0.05 in Q1/17.

The effective tax rate for Q1/18 was (44.5)% compared to an effective tax rate of 25.5% in the same quarter last year. The change in the effective tax rate was mainly due to the non-recognition of certain deferred tax assets in our foreign operations in Q1/18.

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

Results of Operations by Business Segment

CANACCORD GENUITY[1][2]

(C$ thousands, except number of employees and % amounts)	Three months ended June 30 2017	2016	Quarter-over-quarter change
Revenue	$ 121,786	$ 140,598	(13.4)%
Expenses			
Incentive compensation	72,789	78,692	(7.5)%
Salaries and benefits	6,571	6,518	0.8%
Restructuring expense[3]	448	—	n.m.
Other overhead expenses	45,054	44,416	1.4%
Total expenses	124,862	129,626	(3.7)%
Intersegment allocations[4]	4,314	3,620	19.2%
(Loss) income before income taxes[4]	$ (7,390)	$ 7,352	(200.5)%
Number of employees	758	808	(6.2)%
Excluding significant items[5]			
Total expenses	$ 123,834	$ 128,808	(3.9)%
Intersegment allocations[4]	4,314	3,620	19.2%
(Loss) income before income taxes[4]	(6,362)	6,977	(191.2)%

(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 months ended June 30, 2017 [three months ended June 30, 2016 – 42%].
(3) Restructuring costs for the three months ended June 30, 2017 were incurred in connection with the closing of certain trading operations in Dublin which formed part of our UK capital markets operations.
(4) (Loss) income before income taxes includes intersegment allocated costs. See the Intersegment Allocated Costs section on page 22.
(5) 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 and advisory 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 June 30 2017	2016	Quarter-over-quarter change
Revenue generated in:			
Canada	28.2%	34.8%	(6.6) p.p.
UK	22.0%	17.6%	4.4 p.p.
US	45.2%	38.2%	7.0 p.p.
Australia	4.5%	7.9%	(3.4) p.p.
Other Foreign Locations	n.m.	1.5%	n.m.
	100.0%	100.0%	

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

First quarter 2018 vs. first quarter 2017

Revenue

Canaccord Genuity generated revenue of $121.8 million in Q1/18, a decline of 13.4% or $18.8 million from the same quarter a year ago. Our Canadian capital markets operations reported a decrease of $14.5 million in revenue primarily due to the completion of certain large advisory transactions in Q1/17 which caused revenue in that comparable quarter to be substantially higher than a typical quarter. Revenue in our Australian capital markets operations decreased by $5.5 million compared to same period last year because of reduced investment banking activity during the quarter. Our US and UK capital markets operations both recorded higher revenue compared to Q1/17, increasing by $1.4 million and $2.1 million, respectively.

Expenses
Expenses for Q1/18 were $124.9 million, a decrease of 3.7% or $4.8 million compared to Q1/17. Excluding significant items(1), total expenses as a percentage of revenue increased by 9.3 percentage points compared to the same quarter in the prior year, primarily as a result of the reduced revenue and the fixed nature of certain overhead costs and certain components of incentive compensation.

Incentive compensation and salaries and benefits
Incentive compensation expense for Q1/18 decreased by $5.9 million or 7.5% compared to Q1/17. Incentive compensation expense as a percentage of revenue was 59.8%, an increase of 3.8 percentage points from Q1/17. Total compensation expense as a percentage of revenue was 65.2%, 4.6 percentage points higher than in Q1/17. This increase reflects the fact that certain components of incentive compensation such as the amortization of share-based awards made in prior periods and salary levels which exceed amounts recorded in certain incentive compensation pools, are fixed and do not vary with revenue in the current period.

In Canada, total compensation as a percentage of revenue increased by 5.1 percentage points compared to Q1/17 partially as a result of an increase in the amortization expense of restricted stock awards made in prior periods. Our US operations experienced a slight decrease of 0.2 percentage points compared to the same period last year. Total compensation as a percentage of revenue in our UK operations decreased by 1.9 percentage points as a result of the increase in revenue and reduction of fixed staff costs compared to Q1/17. Total compensation expense as a percentage of revenue in our Australian operations was 87.7% for Q1/18, a substantial increase from Q1/17 due to the significant reduction in revenue in Q1/18 and the non-variable nature of fixed staff costs.

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

	Three months ended June 30		
	2017	2016	Quarter-over-quarter change
Canada	**56.5%**	51.4%	5.1 p.p.
UK	**79.7%**	81.6%	(1.9) p.p.
US	**60.7%**	60.9%	(0.2) p.p.
Australia	**87.7%**	56.9%	30.8 p.p.
Other Foreign Locations	**n.m.**	n.m.	n.m.
Canaccord Genuity (total)	**65.2%**	60.6%	4.6 p.p.

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

Other overhead expenses
Total other overhead expenses excluding significant items(1) for Q1/18 were $44.5 million, an increase of 2.0% compared to Q1/17 mainly due to higher trading costs offset partially by a decrease in general and administrative expense, interest expense and development costs.

As a result of the international trading activity and associated ADR conversion costs and international settlements costs in the US, trading costs increased by $2.4 million or 21.0% compared to the same period last year.

General and administrative expense in Q1/18 was $11.1 million, a decrease of $1.1 million or 8.9% over Q1/17, primarily as a result of reduced expenditures in our UK operations.

Development costs decreased by $0.5 million or 76.5% in Q1/18 compared to the same period in the prior year as a result of lower hiring incentives in our US and UK operations.

Restructuring costs of $0.5 million for the three months ended June 30, 2017 were incurred in connection with the closing of certain trading operations in Dublin which formed part of our UK capital markets operations. No restructuring costs were recorded during the same period last year.

(Loss) income before income taxes
(Loss) income before income taxes, including allocated overhead expenses, was $7.4 million in Q1/18 compared to net income of $7.4 million in the same quarter a year ago. Excluding significant items(1), loss before income taxes, including allocated overhead expenses, was $6.4 million in Q1/18, compared to income before income taxes of $7.0 million in Q1/17. The decline in income before income taxes is mostly attributable to lower revenue earned during Q1/18 and the fixed nature of certain costs as described above.

CANACCORD GENUITY WEALTH MANAGEMENT

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

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

CANACCORD GENUITY WEALTH MANAGEMENT NORTH AMERICA[1]

(C$ thousands, except AUM and AUA (in C$ millions), number of employees, Advisory Teams and % amounts)	Three months ended June 30 2017	2016	Quarter-over-quarter change
Revenue	$ 36,918	$ 29,473	25.3%
Expenses			
Incentive compensation	18,276	14,697	24.4%
Salaries and benefits	2,795	3,065	(8.8)%
Other overhead expenses	8,458	8,093	4.5%
Total expenses	29,529	25,855	14.2%
Intersegment allocations[2]	4,225	3,263	29.5%
Income before income taxes[2]	$ 3,164	$ 355	n.m.
AUM – Canada (discretionary)[3]	2,647	1,268	108.8%
AUA – Canada[4]	12,669	9,817	29.1%
Number of Advisory Teams – Canada	135	138	(2.2)%
Number of employees	351	342	2.6%
Excluding significant items[5]			
Total expenses	$ 29,529	$ 25,855	14.2%
Intersegment allocations[2]	4,225	3,263	29.5%%
Income before income taxes[2]	3,164	355	n.m.

(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 4.
(2) Income before income taxes includes intersegment allocations. See the Intersegment Allocated Costs section on page 22.
(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.
n.m.: not meaningful

First quarter 2018 vs. first quarter 2017

Revenue from Canaccord Genuity Wealth Management North America was $36.9 million, an increase of $7.4 million or 25.3% compared to the three months ended June 30, 2016 as a result of increased AUA and increased client and corporate finance activities.

AUA in Canada increased by 29.1% to $12.7 billion at June 30, 2017, compared to $9.8 billion at June 30, 2016. AUM in Canada also increased by 108.8% compared to Q1/17 due to new assets acquired during Q3/17 as a result of our development initiatives in this sector. There were 135 Advisory Teams in Canada, a decrease of 3 from a year ago. Fee-related revenue in our North American operations as a percentage of total revenue increased by 0.8 percentage points compared to Q1/17 and accounted for 38.5% of the wealth management revenue in Canada during the first quarter of fiscal 2018.

As a result of the revenue increase in Q1/18 compared to Q1/17 and the relatively fixed nature of most expenses other than incentive compensation, total expenses as a percentage of revenue decreased by 7.7 percentage points compared to Q1/17.

Incentive compensation expense increased by $3.6 million compared to Q1/17, consistent with the increase in incentive-based revenue. Total compensation expense as a percentage of revenue decreased by 3.2 percentage points compared to Q1/17 as a result of reduced fixed staff costs and higher revenue.

Total non-compensation expenses increased from $8.1 million in Q1/17 to $8.5 million in Q1/18. The most notable decrease was in general and administrative expense, which declined by $0.5 million compared to Q1/17 as a result of the continued focus on cost reductions. Offsetting this decrease was an increase in development costs which increased by $0.5 million compared to the same quarter in the prior year as a result of increased new-hire incentive payments.

Income before income taxes was $3.2 million in Q1/18 compared to income before taxes of $0.4 million in Q1/17 primarily due to the increase in 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 June 30 2017	2016	Quarter-over-quarter change
Revenue	$ 38,033	$ 33,247	14.4%
Expenses			
Incentive compensation	12,596	12,573	0.2%
Salaries and benefits	6,379	5,481	16.4%
Other overhead expenses	13,790	9,924	39.0%
Total expenses	32,765	27,978	17.1%
Intersegment allocations[2]	316	320	(1.3)%
Income before income taxes[2]	$ 4,952	$ 4,949	0.1%
AUM – UK & Europe[3]	25,755	22,410	14.9%
Number of investment professionals and fund managers – UK & Europe	119	117	1.7%
Number of employees	314	310	1.3%
Excluding significant items[4]			
Total expenses	$ 29,257	$ 26,573	10.1%
Intersegment allocations[2]	316	320	(1.3)%
Income before income taxes[2]	8,460	6,354	33.1%

(1) Data is in accordance with IFRS except for AUM, number of investment professionals and fund managers and number of employees. See Non-IFRS Measures on page 8.
(2) Income before income taxes includes intersegment allocations. See the Intersegment Allocated Costs section on page 22.
(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.

First quarter 2018 vs. first quarter 2017

Revenue generated by our Canaccord Genuity Wealth Management UK & Europe operation is largely produced through fee-related accounts and portfolio management activities and, as such, is less sensitive to changes in market conditions. Revenue for Q1/18 was $38.0 million, an increase of 14.4% compared to Q1/17. Measured in local currency (GBP), revenue increased by 21.0% compared to the same quarter last year.

AUM in the UK & Europe as of June 30, 2017 was $25.8 billion, an increase of 14.9% compared to $22.4 billion as of June 30, 2016. Measured in local currency (GBP), AUM increased by 18.9% from £12.9 billion at June 30, 2016 to £15.3 billion at June 30, 2017. Fee-related revenue in our UK & European wealth management operations accounted for 66.3% of total revenue in Q1/18, a decrease of 2.2 percentage points primarily as a result of the 14.4% increase in revenue from Q1/17 to Q1/18. The proportion of fee-related revenue and managed fee-based accounts is higher in the UK & Europe compared to our Canadian wealth management business.

Incentive compensation expense was $12.6 million, unchanged from Q1/17 despite the increase in revenue. Salaries and benefits expense increased by 16.4% compared to Q1/17 to $6.4 million in Q1/18 from $5.5 million in Q1/17 as a result of an increase in staff costs to support the growth in this operation. Total compensation expense (incentive compensation plus salaries and benefits) as a percentage of revenue decreased by 4.4 percentage points from 54.3% in Q1/17 to 49.9% in Q1/18.

Other overhead expenses for the three months ended June 30, 2017 increased by $3.9 million from Q1/17. Included in the increase was $2.2 million of acquisition-related costs incurred in relation to the proposed acquisition of Hargreave Hale incurred during the quarter. In addition, general and administrative costs increased by $1.4 million compared to Q1/17, primarily in professional fees and promotion and travel expense incurred to support the growth in this operation.

Income before income taxes was $5.0 million, unchanged from Q1/17. Excluding significant items[1], which include acquisition-related costs and the amortization of certain intangible assets, net income before income taxes was $8.5 million, representing a $2.1 million increase from the same period last year primarily as a result of higher revenue and a lower compensation ratio.

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

CORPORATE AND OTHER[1]

(C$ thousands, except number of employees and % amounts)	Three months ended June 30 2017	2016	Quarter-over-quarter change
Revenue	$ 3,071	$ 2,862	7.3%
Expenses			
Incentive compensation	2,643	1,613	63.9%
Salaries and benefits	6,662	6,845	(2.7)%
Other overhead expenses	5,119	4,252	20.4%
Restructuring costs	—	—	—
Total expenses	14,424	12,710	13.5%
Intersegment allocations[2]	(8,855)	(7,203)	(22.9)%
Loss before income taxes[2]	$ (2,498)	$ (2,645)	5.6%
Number of employees	274	277	(1.1)%
Excluding significant items[3]			
Total expenses	$ 14,924	$ 12,710	13.5%
Intersegment allocations[2]	(8,855)	(7,203)	(22.9)%
Loss before income taxes[2]	(2,498)	(2,645)	5.6%

(1) Data is in accordance with IFRS except for figures excluding significant items and number of employees. See Non-IFRS Measures on page 8.
(2) Loss before income taxes includes intersegment allocations. See the Intersegment Allocated Costs section on page 22.
(2) Refer to the Selected Financial Information Excluding Significant Items table on page 13.

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

First quarter 2018 vs. first quarter 2017

Revenue in the Corporate and Other segment for the three months ended June 30, 2017 was $3.1 million, an increase of $0.2 million from the same quarter a year ago mainly related to higher foreign exchange gains recognized in Q1/18.

Expenses for Q1/18 increased by $1.7 million or 13.5%, to $14.4 million compared to the three months ended June 30, 2016. Incentive compensation expense increased by $1.0 million compared to Q1/17 as a result of higher share based incentive compensation expense. Salaries and benefits decreased by $0.2 million, relatively unchanged compared to Q1/17. Other operating expenses increased by $0.9 million compared to Q1/17 primarily as a result of higher interest expense related to the convertible debentures issued in Q3/17.

Overall, loss before income taxes was $2.5 million in Q1/18 compared to a loss before income taxes of $2.6 million in the same period a year ago.

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 June 30, 2017. 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 2018	Fiscal 2017				Fiscal 2016		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue								
Canaccord Genuity	**$ 121,786**	$ 193,520	$ 137,268	$ 127,005	$ 140,598	$ 138,579	$ 122,145	$ 126,511
Canaccord Genuity Wealth Management:								
North America	**36,918**	40,268	32,819	29,732	29,473	25,521	25,616	26,155
UK & Europe	**38,033**	33,065	34,549	33,958	33,247	34,913	35,040	34,039
Corporate and Other	**3,071**	4,803	3,472	2,907	2,862	1,899	(964)	3,897
Total revenue	**199,808**	271,656	208,108	193,602	206,180	200,912	181,837	190,602
Net (loss) income	**$ (1,772)**	$ 30,987	$ 4,544	$ 200	$ 7,455	$ (22,709)	$ (346,388)	$ (431)
(Loss) earnings per common share – basic	**$ (0.05)**	$ 0.29	$ 0.01	$ (0.05)	$ 0.04	$ (0.29)	$ (3.91)	$ (0.03)
(Loss) earnings per common share – diluted	**$ (0.05)**	$ 0.26	$ 0.01	$ (0.05)	$ 0.04	$ (0.29)	$ (3.91)	$ (0.03)

On a consolidated basis, revenue in Q1/18 was $199.8 million, a 3.1% decline compared to Q1/17 and a 26.4% decline compared to Q4/17. As a result of lower market activity and the completion of certain large transactions in previous quarters, the Canaccord Genuity division reported a decrease of 13.4% in revenue compared to Q1/17 and a decrease of 37.1% from the previous quarter. Revenue in our Canadian capital markets operations decreased compared to Q4/17 and Q1/17, mostly due to lower advisory fees earned as a result of the completion of certain large transactions in those previous quarters. Canadian capital markets revenue varies from quarter to quarter with variations in investment banking activity and the number of large advisory transactions. Our US operations reported an increase in revenue of $1.4 million compared to Q1/17, but decreased compared to the last two quarters of fiscal 2017 as a result of lower investment banking revenue. Stabilizing market activity in the UK improved our capital markets operations in that region as revenue increased by $2.1 million from Q1/17 to $26.8 million in Q1/18. Our UK operations were restructured in fiscal 2016 to adapt to the current market environment and following fiscal 2017, changes to the compensation structure were made and efforts to reduce overhead costs continued. Slower market activity resulted in a decrease of $5.5 million in our Australian capital market operations. Other Foreign Locations recorded a decrease of $2.2 million compared to the same period last year as a result of the net gain realized on the disposal of our Singapore operations in Q1/17.

Our Canaccord Genuity Wealth Management North America operations have grown as we continue to invest in that division, with an increase in revenue of 25.3% during Q1/18 compared to the same period a year ago. Despite the decrease in revenue from Q4/17, income before income taxes increased by $1.7 million to $3.2 million for Q1/18, primarily as a result of lower fixed compensation costs as well as a decline in general and administrative expense. Assets under management also increased by 108.8% compared to Q1/17, to $2.6 billion as a result of the addition of certain investment advisory teams.

Revenue in our Canaccord Genuity Wealth Management UK & Europe operations was $38.0 million, highest in the eight most recent quarters, despite the depreciation of the pound sterling relative to the Canadian dollar. At the end of Q1/18, fee-related revenue was at 66.3%, a 2.2 percentage point decrease from Q1/17 primarily as a result of the 14.4% increase in revenue. Assets under management for this group increased by 14.9% compared to Q1/17.

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.

Intersegment Allocated Costs

Included in the Corporate and Other segment are certain support services 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 $521.7 million on June 30, 2017 compared to $677.8 million on March 31, 2017. Refer to the Liquidity and Capital Resources section on page 23 for more details.

Securities owned were $585.3 million on June 30, 2017 compared to $784.2 million on March 31, 2017 due to a decrease in corporate and government debt owned as of June 30, 2017.

Accounts receivable were $2.2 billion at June 30, 2017 compared to $3.4 billion at March 31, 2017, mainly due to a decrease in receivables with brokers and investment dealers and clients.

Goodwill was $193.0 million and intangible assets were $100.8 million at June 30, 2017. At March 31, 2017, goodwill was $192.3 million and intangible assets were $102.8 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 $50.7 million at June 30, 2017, unchanged from March 31, 2017.

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 June 30, 2017, the Company had available credit facilities with banks in Canada and the UK in the aggregate amount of $611.8 million [March 31, 2017 — $602.6 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 June 30, 2017, there was no bank indebtedness, compared to $25.3 million on March 31, 2017.

Securities sold short were $410.3 million at June 30, 2017 compared to $645.7 million at March 31, 2017, mostly due to a decrease in short positions in corporate and government debt.

Accounts payable and accrued liabilities, including provisions, were $2.4 billion at June 30, 2017, a decrease from $3.7 billion at March 31, 2017, mainly due to a decrease in payables to brokers and investment dealers.

Other liabilities, including subordinated debt, income taxes payable and deferred tax liabilities, were $18.0 million at June 30, 2017, an increase from $17.7 million at March 31, 2017. The increase was mostly due to the increase in income taxes payable.

Off-Balance Sheet Arrangements

As of June 30, 2017, a subsidiary of the Company had an irrevocable secured standby letter of credit from a financial institution totalling $2.6 million (US$2.0 million) [March 31, 2017 — $2.7 million (US$2.0 million)] as a rent guarantee for its leased premises in Boston and New York.

Bank Indebtedness and Other Credit Facilities

The Company enters into call loans or overdraft positions primarily to facilitate the securities settlement process for both client and Company securities transactions. The bank indebtedness is collateralized by unpaid client securities and/or securities owned by the Company. As of June 30, 2017, the Company had $nil [March 31, 2017 – $25.3 million] of bank indebtedness outstanding.

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 $611.8 million as of June 30, 2017 [March 31, 2017 – $602.6 million]. As of June 30, 2017, there were no balances outstanding under these other credit facilities. 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 June 30, 2017:

		Contractual obligations payments due by period			
(C$ thousands)	Total	Fiscal 2019	Fiscal 2020–Fiscal 2021	Fiscal 2022–Fiscal 2023	Thereafter
Premises and equipment operating leases	$ 145,345	$ 29,716	$ 53,321	$ 38,857	$ 23,451
Other Obligations[1]	75,600	3,900	7,800	63,900	—
Total contractual obligations	220,945	33,616	61,121	102,757	23,451

(1) Other Obligations consist of the unsecured senior subordinated convertible debentures (the "Debentures') issued in June 2016. The Debentures bear interest at a rate of 6.50% per annum and mature on December 31, 2021. The Company, under certain circumstances, may redeem the Debentures on or after December 31, 2019.

Liquidity and Capital Resources

The Company has a capital structure comprised of preferred shares, common shares, warrants, contributed surplus, retained earnings (deficit) and accumulated other comprehensive income. On June 30, 2017, cash and cash equivalents were $521.7 million, a decrease of $156.0 million from $677.8 million as of March 31, 2017. During the three months ended June 30, 2017, financing activities used cash in the amount of $58.0 million, mainly due to a decrease in bank indebtedness, purchases of common shares for the long-term incentive plan (LTIP), and cash dividends paid on common and preferred shares. Investing activities used cash in the amount of $1.7 million mainly for the purchase of equipment and leasehold improvements. Operating activities used cash in the amount of $97.0 million, which was largely due to changes in non-cash working capital. An increase in cash of $0.6 million was attributable to the effect of foreign exchange translation on cash balances.

Compared to the three months ended June 30, 2016, cash used in financing activities increased by $112.6 million primarily due to a decrease in bank indebtedness and proceeds from the private placement received in the same period last year. Cash used in investing activities increased by $0.2 million during the three months ended June 30, 2017 compared to the same period last year, mainly due to increased additions of equipment and leasehold improvements. Changes in non-cash working capital balances led to a decrease in cash used by operating activities of $99.1 million. In addition, cash balances increased by $3.8 million from the effects of foreign exchange translation on cash balances. Overall, cash and cash equivalents increased by $240.0 million from $282.2 million at June 30, 2016 to $521.7 million at June 30, 2017.

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.

Convertible Debentures

The Company issued convertible unsecured senior subordinated debentures ("Debentures") in the aggregate principal amount of $60.0 million. The Debentures bear interest at a rate of 6.50% per annum. The Debentures are convertible at the holder's option into common shares of the Company at a conversion price of $6.50 per share. The Debentures will mature on December 31, 2021 and may be redeemed by the Company, in certain circumstances, on or after December 31, 2019.

Outstanding Share Data

	Outstanding shares as of June 30	
	2017	2016
Preferred shares		
Series A – issued shares outstanding	**4,540,000**	4,540,000
Series C – issued shares outstanding	**4,000,000**	4,000,000
Common shares		
Issued shares excluding unvested shares(1)	**92,903,711**	96,656,703
Issued shares outstanding(2)	**113,511,468**	111,601,300
Issued shares outstanding – diluted(3)	**124,280,823**	115,116,823
Average shares outstanding – basic	**93,068,914**	89,786,284
Average shares outstanding – diluted(4)	**n/a**	92,849,200

(1) Excludes 1,589,802 outstanding unvested shares related to share purchase loans for recruitment and retention programs and 19,017,955 unvested shares purchased by employee benefit trusts for the LTIP.
(2) Includes 1,589,802 outstanding unvested shares related to share purchase loans for recruitment and retention programs and 19,017,955 unvested shares purchased by employee benefit trusts for the LTIP.
(3) Includes 10,769,355 share issuance commitments net of forfeitures.
(4) This is the diluted share number used to calculate diluted EPS. For years with net losses attributable to common shareholders, all instruments involving potential common shares were excluded from the calculation of diluted earnings per share as they were anti-dilutive.

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, 2017 and June 30, 2017.

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

Purchases under the current NCIB were permitted as 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 July 31, 2017, the Company has 113,511,468 common shares issued and outstanding.

Share-Based Payment Plans

There have been no updates to the share-based payment plans discussed in the 2017 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 June 30, 2017, forward contracts outstanding to sell US dollars had a notional amount of US$6.9 million, a decrease of US$15.2 million compared to June 30, 2016. Forward contracts outstanding to buy US dollars had a notional amount of US$10.8 million, an increase of US$7.9 million from June 30, 2016. 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. The Company's Canadian operations also began trading other types of futures contracts, including but not limited to, index futures and commodity futures.

At June 30, 2017, the notional amount of the Canadian bond futures contracts outstanding was long $4.5 million [March 31, 2017 — long $0.5 million].

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

Related Party Transactions

The Company's related parties include the following persons and/or entities: (a) entities that are controlled or significantly influenced by the Company, and (b) key management personnel, who are comprised of the directors of the Company, as well as executives involved in strategic decision-making for the Company. A list of the Company's principal trading subsidiaries and principal intermediate holding companies is disclosed in Note 19 of the March 31, 2017 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, 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)	**June 30, 2017**	March 31, 2017
Accounts receivable	**$706**	$211
Accounts payable and accrued liabilities	**$122**	$219

Critical Accounting Policies and Estimates

The unaudited interim condensed consolidated financial statements for the quarter ended June 30, 2017 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 June 30, 2017.

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

The FVLCS calculations are based on assumptions made in connection with future cash flows, terminal growth rates and discount rates. In order to estimate the FVLCS for each CGU, cash flows are forecast over a five-year period, a terminal growth rate is applied and then such cash flows are discounted to their present value. The discount rate is based on the specific circumstances of each CGU and is derived from the estimated weighted average cost of capital of the Company. The CGUs which continued to record goodwill in there carrying value as of June 30, 2017 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, 2017 — 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, 2017 — 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, 2017 — 2.5%].

Refer to Note 7 of the unaudited interim condensed consolidated financial statements for the three months ended June 30, 2017 for further information regarding the key assumptions used in connection with the June 30, 2017 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 quarter of fiscal 2018 and are discussed under "Critical Accounting Policies and Estimates" in our 2017 Annual Report.

Changes in Accounting Policies

There were no significant changes in the accounting policies discussed in Note 5 of the 2017 Audited Annual Consolidated Financial Statements, during the three months ended June 30, 2017.

Future Changes in Accounting Policies and Estimates

There have been no updates to the "Future Changes in Accounting Policies and Estimates" disclosed in our 2017 Annual Report, during the three months ended June 30, 2017.

Disclosure Controls and Procedures and Internal Control Over Financial Reporting

DISCLOSURE CONTROLS AND PROCEDURES

As of June 30, 2017, 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 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 Officer concluded that our disclosure controls and procedures were effective as at June 30, 2017.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes made in our internal control over financial reporting that occurred during the quarter ended June 30, 2017, 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 August 2, 2017, the Board of Directors approved a dividend of $0.01 per common share, payable on September 15, 2017, with a record date of September 1, 2017.

On August 2, 2017, the Board of Directors approved the following cash dividends: $0.24281 per Series A Preferred Share payable on October 2, 2017 with a record date of September 15, 2017; and $0.31206 per Series C Preferred Share payable on October 2, 2017 with a record date of September 15, 2017.

Risks

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

The securities industry and the Company's activities are by their very nature subject to a number of inherent risks. Economic conditions, competition and market factors such as volatility in the Canadian and international markets, interest rates, commodity prices, market prices, trading volumes and liquidity will have a significant impact on the Company's profitability. An investment in the common or preferred shares of the Company involves a number of risks, including market, liquidity, credit, operational, legal, cyber and regulatory risks, which could be substantial and are inherent in the Company's business. The Company is also directly exposed to market price risk, liquidity risk and volatility risk as a result of its principal trading activities in equity securities and to interest rate risk and credit spread risk as a result of its principal trading in fixed income securities. The Company's operations in UK are exposed to market risk and volatility risk as a result of Brexit. 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 2017 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 2017 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	June 30, 2017	March 31, 2017
ASSETS			
Current			
Cash and cash equivalents		$ 521,725	$ 677,769
Securities owned	4	585,258	784,230
Accounts receivable	6, 15	2,171,795	3,395,736
Income taxes receivable		884	1,085
Total current assets		3,279,662	4,858,820
Deferred tax assets		16,231	15,323
Investments		2,960	2,829
Equipment and leasehold improvements		30,592	31,479
Intangible assets	7	100,778	102,799
Goodwill	7	193,027	192,266
		$ 3,623,250	$ 5,203,516
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Bank Indebtedness		$ —	$ 25,280
Securities sold short	4	410,303	645,742
Accounts payable and accrued liabilities	6, 15	2,373,518	3,669,883
Provisions	17	10,439	11,793
Income taxes payable		10,394	10,093
Subordinated debt	9	7,500	7,500
Total current liabilities		2,812,154	4,370,291
Deferred tax liabilities		141	140
Convertible debentures	10	56,597	56,442
		2,868,892	4,426,873
Shareholders' equity			
Preferred shares	11	205,641	205,641
Common shares	12	646,496	641,449
Equity portion of convertible debentures	10	2,604	2,604
Warrants	12	1,975	1,975
Contributed surplus		73,829	85,405
Retained earnings (deficit)		(283,712)	(267,559)
Accumulated other comprehensive income		95,044	95,270
Total shareholders' equity		741,877	764,785
Non-controlling interests		12,481	11,858
Total equity		754,358	776,643
		$ 3,623,250	$ 5,203,516

See accompanying notes

On behalf of the Board:

"*Daniel Daviau*"

DANIEL DAVIAU
Director

"*Terrence A. Lyons*"

TERRENCE A. LYONS
Director

Unaudited Interim Condensed Consolidated Statements of Operations

(in thousands of Canadian dollars, except per share amounts)	Notes	For the three months ended June 30, 2017	June 30, 2016
REVENUE			
Commissions and fees		$ 104,955	$ 92,872
Investment banking		40,696	37,125
Advisory fees		18,896	39,594
Principal trading		25,887	27,546
Interest		5,176	3,608
Other		4,198	5,435
		199,808	206,180
EXPENSES			
Incentive compensation		106,304	107,575
Salaries and benefits		22,407	21,909
Trading costs		17,252	14,136
Premises and equipment		10,109	9,748
Communication and technology		12,658	12,334
Interest		4,445	3,442
General and administrative		19,300	19,548
Amortization		4,994	5,385
Development costs		1,479	2,092
Restructuring costs		448	—
Acquisition-related costs		2,184	—
		$ 201,580	$ 196,169
(Loss) income before income taxes		(1,772)	10,011
Income taxes (recovery)			
Current		1,478	1,762
Deferred		(690)	794
	8	788	2,556
Net (loss) income for the period		$ (2,560)	$ 7,455
Net (loss) income attributable to:			
CGGI shareholders		$ (2,262)	$ 6,682
Non-controlling interests		$ (298)	$ 773
Weighted average number of common shares outstanding (thousands)			
Basic		93,069	89,786
Diluted		n/a	92,849
Net (loss) income per common share			
Basic	12iii	$ (0.05)	$ 0.04
Diluted	12iii	$ (0.05)	$ 0.04
Dividend per common share	13	$ 0.01	$ —
Dividend per Series A Preferred Share	13	$ 0.24	$ 0.34
Dividend per Series C Preferred Share	13	$ 0.31	$ 0.36

See accompanying notes

Unaudited Interim Condensed Consolidated Statements of Comprehensive Loss

	For the three months ended	
(in thousands of Canadian dollars)	**June 30, 2017**	June 30, 2016
Net (loss) income for the period	**$ (2,560)**	$ 7,455
Other comprehensive (loss) income		
Realized translation gains related to foreign operation disposed of during the period	**—**	(1,560)
Net change in unrealized gains (losses) on translation of foreign operations	**305**	(17,437)
Comprehensive loss for the period	**$ (2,255)**	$ (11,542)
Comprehensive (loss) income attributable to:		
CGGI shareholders	**$ (2,488)**	$ (13,287)
Non-controlling interests	**$ 233**	$ 1,745

See accompanying notes

Unaudited Interim Condensed Consolidated Statements of Changes in Equity

For the three months ended (in thousands of Canadian dollars)	Notes	June 30, 2017	June 30, 2016
Preferred shares, opening and closing	11	$ 205,641	$ 205,641
Common shares, opening		641,449	617,756
Shares issued in connection with share-based payments		—	6,737
Acquisition of common shares for long-term incentive plan (LTIP)		(18,788)	(38,270)
Release of vested common shares from employee benefit trust		23,956	16,280
Shares issued in connection with private placement		—	26,346
Net unvested share purchase loans		(121)	3,944
Common shares, closing	12	646,496	632,793
Warrants, opening and closing	12	1,975	1,975
Convertible debentures – equity, opening and closing	10	2,604	2,604
Contributed surplus, opening		85,405	86,235
Share-based payments		(11,987)	(13,944)
Unvested share purchase loans		411	(1,033)
Contributed surplus, closing		73,829	71,258
Retained earnings (deficit), opening		(267,559)	(294,586)
Net (loss) income attributable to CGGI shareholders		(2,262)	6,682
Preferred shares dividends	13	(2,540)	(2,999)
Common shares dividends	13	(11,351)	—
Retained earnings (deficit), closing		(283,712)	(290,903)
Accumulated other comprehensive income, opening		95,270	134,883
Other comprehensive (loss) income attributable to CGGI shareholders		(226)	(19,969)
Accumulated other comprehensive income, closing		95,044	114,914
Total shareholders' equity		741,877	735,678
Non-controlling interests, opening		11,858	8,722
Foreign exchange on non-controlling interests		390	(575)
Comprehensive income attributable to non-controlling interests		233	1,745
Non-controlling interests, closing		12,481	9,892
Total equity		$ 754,358	$ 745,570

See accompanying notes

Unaudited Interim Condensed Consolidated Statements of Cash Flows

For the three months ended (in thousands of Canadian dollars)	Notes	June 30, 2017	June 30, 2016
OPERATING ACTIVITIES			
Net (loss) income for the period		$ (2,560)	$ 7,455
Items not affecting cash			
Amortization		4,994	5,385
Deferred income tax (recovery) expense		(690)	794
Share-based compensation expense	14(ii)	12,564	9,390
Changes in non-cash working capital			
Decrease (increase) in securities owned		198,831	(162,264)
Decrease (increase) in accounts receivable		1,209,169	(669,559)
Increase in net income taxes payable		286	4,752
(Decrease) increase in securities sold short		(235,440)	153,230
(Decrease) increase in accounts payable, accrued liabilities and provisions		(1,284,115)	454,723
Cash used in operating activities		(96,961)	(196,094)
FINANCING ACTIVITIES			
(Decrease) increase in bank indebtedness		(25,280)	74,968
Proceeds from private placement		—	28,321
Acquisition of common shares for long-term incentive plan		(18,788)	(38,270)
Repayment of subordinated debt		—	(7,500)
Cash dividends paid on common shares		(11,351)	—
Cash dividends paid on preferred shares		(2,540)	(2,999)
Proceeds from business disposition		—	96
Cash (used in) provided by financing activities		(57,959)	54,616
INVESTING ACTIVITIES			
Purchase of equipment and leasehold improvements		(1,681)	(1,468)
Cash used in investing activities		(1,681)	(1,468)
Effect of foreign exchange on cash balances		557	(3,213)
Decrease in cash position		(156,044)	(146,159)
Cash position, beginning of period		677,769	428,329
Cash position, end of period		$ 521,725	$ 282,170
Supplemental cash flow information			
Interest received		$ 5,111	$ 2,384
Interest paid		$ 2,921	$ 2,845
Income taxes paid		$ 2,083	$ 1,406

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 or CGGI) 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 400 – 725 Granville Street, Vancouver, British Columbia, V7Y 1G5.

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, 2017 (March 31, 2017 consolidated financial statements) filed on SEDAR on June 1, 2017. All defined terms used herein are consistent with those terms defined in the March 31, 2017 consolidated financial statements.

These 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.

These 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 August 2, 2017.

USE OF JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these 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, 2017 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, 2017 consolidated financial statements, during the three months ended June 30, 2017.

NOTE 03 Summary of Significant Accounting Policies

There were no significant changes in the accounting policies discussed in Note 5 of the March 31, 2017 consolidated financial statements, during the three months ended June 30, 2017.

NOTE 04 Securities Owned and Securities Sold Short

	June 30, 2017		March 31, 2017	
	Securities owned	Securities sold short	Securities owned	Securities sold short
Corporate and government debt	$ 358,884	$ 320,052	$ 571,066	$ 541,827
Equities and convertible debentures	226,374	90,251	213,164	103,915
	$ 585,258	$ 410,303	$ 784,230	$ 645,742

As at June 30, 2017, corporate and government debt maturities range from 2017 to 2098 [March 31, 2017 – 2017 to 2098] and bear interest ranging from 0.0% to 14.0% [March 31, 2017 – 0.0% to 14.0%].

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, 2017 and March 31, 2017 are as follows:

	Held for trading		Available for sale		Loans and receivables		Loans and borrowings		Total	
	June 30, 2017	March 31, 2017	June 30, 2017	March 31, 2017	June 30, 2017	March 31, 2017	June 30, 2017	March 31, 2017	June 30, 2017	March 31, 2017
Financial assets										
Securities owned	$585,258	$784,230	$ —	$ —	$ —	$ —	$ —	$ —	$ 585,258	$ 784,230
Accounts receivable from brokers and investment dealers	—	—	—	—	1,432,371	2,625,939	—	—	1,432,371	2,625,939
Accounts receivable from clients	—	—	—	—	335,290	373,300	—	—	335,290	373,300
RRSP cash balances held in trust	—	—	—	—	295,064	302,532	—	—	295,064	302,532
Other accounts receivable	—	—	—	—	109,070	93,965	—	—	109,070	93,965
Investments	—	—	2,960	2,829	—	—	—	—	2,960	2,829
Total financial assets	$585,258	$784,230	$ 2,960	$ 2,829	$ 2,171,795	$3,395,736	$ —	$ —	$2,760,013	$4,182,795
Financial liabilities										
Securities sold short	$410,303	$645,742	$ —	$ —	$ —	$ —	$ —	$ —	$ 410,303	$ 645,742
Accounts payable to brokers and investment dealers	—	—	—	—	—	—	1,103,553	1,913,177	1,103,553	1,913,177
Accounts payable to clients	—	—	—	—	—	—	1,083,981	1,468,410	1,083,981	1,468,410
Other accounts payable and accrued liabilities	—	—	—	—	—	—	185,984	288,296	185,984	288,296
Subordinated debt	—	—	—	—	—	—	7,500	7,500	7,500	7,500
Convertible debentures	—	—	—	—	—	—	56,597	56,442	56,597	56,442
Total financial liabilities	$410,303	$645,742	$ —	$ —	$ —	$ —	$2,437,615	$3,733,825	$2,847,918	$4,379,567

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 June 30, 2017, the Company held the following classes of financial instruments measured at fair value:

		Estimated fair value June 30, 2017		
	June 30, 2017	Level 1	Level 2	Level 3
Securities owned				
Corporate debt	$ 11,888	$ —	$ 11,888	$ —
Government debt	346,996	145,674	201,322	—
Corporate and government debt	358,884	145,674	213,210	—
Equities	219,718	162,431	57,151	136
Convertible debentures	6,656	—	6,656	—
Equities and convertible debentures	226,374	162,431	63,807	136
Available for sale investments	2,960	—	2,960	—
	588,218	308,105	279,977	136
Securities sold short				
Corporate debt	(11,844)	—	(11,844)	—
Government debt	(308,208)	(153,328)	(154,880)	—
Corporate and government debt	(320,052)	(153,328)	(166,724)	—
Equities	(90,251)	(67,847)	(22,404)	—
	(410,303)	(221,175)	(189,128)	—

As at March 31, 2017, the Company held the following classes of financial instruments measured at fair value:

		Estimated fair value March 31, 2017		
	March 31, 2017	Level 1	Level 2	Level 3
Securities owned				
Corporate debt	$ 15,071	$ —	$ 15,071	$ —
Government debt	555,995	277,121	278,874	—
Corporate and government debt	571,066	277,121	293,945	—
Equities	207,050	165,292	41,616	142
Convertible debentures	6,114	—	6,114	—
Equities and convertible debentures	213,164	165,292	47,730	142
Available for sale investments	2,829	—	2,829	—
	787,059	442,413	344,504	142
Securities sold short				
Corporate debt	(11,524)	—	(11,524)	—
Government debt	(530,303)	(313,077)	(217,226)	—
Corporate and government debt	(541,827)	(313,077)	(228,750)	—
Equities	(103,915)	(77,562)	(26,353)	—
	(645,742)	(390,639)	(255,103)	—

Movement in net Level 3 financial assets

Balance, March 31, 2017	$	142
Other		(6)
Balance, June 30, 2017	**$**	**136**

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 $3.0 million as at June 30, 2017 [March 31, 2017 – $2.8 million]. The current fair value is determined using a market-based approach based on recent share buyback transactions.

ii. Level 3 financial instruments

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 June 30, 2017 was $0.1 million [March 31, 2017 – $0.1 million].

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

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 June 30, 2017:

	Notional amount (millions)		Average price	Maturity		Fair value
To sell US dollars	**USD$**	**6.9**	**$1.30(CAD/USD)**	**July 5, 2017**	**$**	**20**
To buy US dollars	**USD$**	**10.8**	**$1.30(CAD/USD)**	**July 5, 2017**	**$**	**(12)**

Forward contracts outstanding at March 31, 2017:

	Notional amount (millions)		Average price	Maturity		Fair value
To sell US dollars	USD$	22.1	$1.33 (CAD/USD)	April 3, 2017	$	71
To buy US dollars	USD$	2.9	$1.33 (CAD/USD)	April 3, 2017	$	(2)

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 65 days as at June 30, 2017 [March 31, 2017 – 61 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 June 30, 2017 and March 31, 2017, respectively. The fair value of the forward contract assets and liabilities is included in the accounts receivable and payable balances.

	June 30, 2017						March 31, 2017					
		Assets		**Liabilities**		**Notional amount**		Assets		Liabilities		Notional amount
Foreign exchange forward contracts	**$**	**1,450**	**$**	**1,330**	**$**	**162,007**	$	1,806	$	1,640	$	177,384

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. The Company's Canadian operations also began trading other types of futures contracts, including but not limited to, index futures and commodity futures.

At June 30, 2017, the notional amount of the Canadian bond futures contracts outstanding was long $4.5 million [March 31, 2017 – long $0.5 million].

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

SECURITIES LENDING AND BORROWING

	Cash		Securities	
	Loaned or delivered as collateral	Borrowed or received as collateral	Loaned or delivered as collateral	Borrowed or received as collateral
June 30, 2017	**$ 171,201**	**$ 64,250**	**$ 76,309**	**$ 216,254**
March 31, 2017	182,474	41,098	43,252	233,811

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

	June 30, 2017	March 31, 2017
Brokers and investment dealers	**$ 1,432,371**	$ 2,625,939
Clients	**335,290**	373,300
RRSP cash balances held in trust	**295,064**	302,532
Other	**109,070**	93,965
	$ 2,171,795	$ 3,395,736

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2017	March 31, 2017
Brokers and investment dealers	**$ 1,103,553**	$ 1,913,177
Clients	**1,083,981**	1,468,410
Other	**185,984**	288,296
	$ 2,373,518	$ 3,669,883

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 [June 30, 2017 – 5.70% to 7.25% and 0.00% to 0.05%, respectively; March 31, 2017 – 5.70% to 6.75% and 0.00% to 0.05%, respectively].

As at June 30, 2017, the allowance for doubtful accounts was $5.5 million [March 31, 2017 – $4.9 million].

NOTE 07 Impairment Testing of Goodwill and Other Assets

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

	Intangible assets with indefinite lives		Goodwill		Total	
	June 30, 2017	March 31, 2017	**June 30, 2017**	March 31, 2017	**June 30, 2017**	March 31, 2017
Canaccord Genuity						
Canada	**$ 44,930**	$ 44,930	**$ 92,074**	$ 92,074	**$ 137,004**	$ 137,004
Canaccord Genuity Wealth Management						
UK and Europe (Channel Islands)	**—**	—	**90,942**	90,257	**90,942**	90,257
UK and Europe	**—**	—	**10,011**	9,935	**10,011**	9,935
	$ 44,930	$ 44,930	**$ 193,027**	$ 192,266	**$ 237,957**	$ 237,196

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 June 30, 2017.

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 June 30, 2017 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, 2017 – 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, 2017 – 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, 2017 – 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 June 30, 2018 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 June 30, 2018 of $16.0 million or a decrease in the five year compound annual growth of 7.3 percentage points may result in the estimate of the recoverable amount declining below the carrying value with the result that an impairment charge may be required. Any such impairment charge would be determined after incorporating the effect of any changes in key assumptions including any consequential effects of such changes on estimated operating income and on other factors.

NOTE 08 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	
	June 30, 2017	June 30, 2016
Income taxes (recovery) at the statutory rate (F2018: 26.0%; F2017: 26.0%)	**$ (461)**	$ 2,593
Difference in tax rates in foreign jurisdictions	**(837)**	(11)
Non-deductible items affecting the determination of taxable income	**652**	415
Share based payments	**(360)**	(1,683)
Change in accounting and tax base estimate	**145**	32
Other	**40**	(1,048)
Tax losses and other temporary differences not recognized	**1,609**	2,258
Income tax expense – current and deferred	**$ 788**	$ 2,556

NOTE 09 Subordinated Debt

	June 30, 2017	March 31, 2017
Loan payable, interest payable monthly at prime + 4% per annum, due on demand	**$ 7,500**	$ 7,500

The loan payable is subject to a subordination agreement and may only be repaid with the prior approval of IIROC. As at June 30, 2017 and March 31, 2017, 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.

NOTE 10 Convertible Debentures

	June 30, 2017		March 31, 2016	
	Liability	**Equity**	Liability	Equity
Convertible debentures	**$ 56,597**	**$ 2,604**	$ 56,442	$ 2,604

Terms of the convertible debentures are disclosed in Note 16 of the March 31, 2017 consolidated financial statements.

NOTE 11 Preferred Shares

	June 30, 2017		March 31, 2017	
	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 17 of the March 31, 2017 consolidated financial statements.

NOTE 12 Common Shares and Warrants

	June 30, 2017			March 31, 2017		
Common shares		Amount	Number of shares		Amount	Number of shares
Issued and fully paid	$	772,645	113,511,468	$	772,645	113,511,468
Unvested share purchase loans		(9,487)	(1,589,802)		(9,366)	(1,590,146)
Held for long-term incentive plan (LTIP)		(116,662)	(19,017,955)		(121,830)	(19,141,505)
	$	646,496	92,903,711	$	641,449	92,779,817

	June 30, 2017			March 31, 2017		
Warrants		Amount	Number of warrants		Amount	Number of warrants
Warrants issued in connection with private placement	$	1,975	3,438,412	$	1,975	3,438,412

The terms of the warrants are disclosed in the March 31, 2017 consolidated financial statements.

[i] AUTHORIZED

Unlimited common shares without par value

[ii] ISSUED AND FULLY PAID

	Number of shares		Amount
Balance, March 31, 2017 and June 30, 2017	**113,511,468**	**$**	**722,645**

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, 2017 and June 30, 2017.

[iii] (LOSS) EARNINGS PER COMMON SHARE

	For the three months ended			
	June 30, 2017		June 30, 2016	
Basic (loss) earnings per common share				
Net (loss) income attributable to CGGI shareholders	$	(2,262)	$	6,682
Preferred shares dividends		(2,540)		(2,999)
Net (loss) income available to common shareholders		(4,802)		3,683
Weighted average number of common shares (number)		93,068,914		89,786,284
Basic (loss) earnings per share	$	(0.05)	$	0.04
Diluted (loss) earnings per common share				
Net (loss) income available to common shareholders		(4,802)		3,683
Weighted average number of common shares (number)		n/a		89,786,284
Dilutive effect in connection with LTIP (number)		n/a		2,759,574
Dilutive effect in connection with other share-based payment plans (number)		n/a		303,342
Adjusted weighted average number of common shares (number)		n/a		92,849,200
Diluted (loss) earnings per common share	$	(0.05)	$	0.04

NOTE 13 Dividends

COMMON SHARES DIVIDENDS

The Company declared the following common share dividend during the three months ended June 30, 2017:

Record date	Payment date		Cash dividend per common share		Total common dividend amount
June 16, 2017	July 3, 2017	$	0.10	$	11,351

On August 2, 2017, the Board of Directors approved a dividend of $0.01 per common share, payable on September 15, 2017, with a record date of September 1, 2017. [Note 18]

PREFERRED SHARES DIVIDENDS

The Company declared the following preferred shares dividends during the three months ended June 30, 2017:

Record date	Payment date	Cash dividend per Series A Preferred Share	Cash dividend per Series C Preferred Share	Total preferred dividend amount
June 16, 2017	June 30, 2017	$ 0.24281	$ 0.359375	$ 2,540

On August 2, 2017, the Board approved a cash dividend of $0.24281 per Series A Preferred Share payable on October 2, 2017 to Series A Preferred shareholders of record as at September 15, 2017 [Note 18].

On August 2, 2017, the Board approved a cash dividend of $0.31206 per Series C Preferred Share payable on October 2, 2017 to Series C Preferred shareholders of record as at September 15, 2017 [Note 18].

NOTE 14 Share-Based Payment Plans

i. LONG-TERM INCENTIVE PLAN

Under the long-term incentive plan (LTIP), eligible participants are awarded restricted share units (RSUs), which generally vest over three years. Employee benefit trusts (the Trusts) have also been established in Canada, the United States, Channel Islands, Australia 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.

Total number of RSUs granted during the period were 5,925,867. The weighted average fair value of RSUs granted during the three month period ended June 30, 2017 was $5.00 [June 30, 2016 – $4.79].

	Number
Unvested awards outstanding, March 31, 2017	18,179,745
Grants	5,925,867
Vested	(3,626,337)
Unvested awards outstanding, June 30, 2017	**20,479,275**

	Number
Common shares held by the Trusts, March 31, 2017	19,141,505
Acquired	3,502,787
Released on vesting	(3,626,337)
Common shares held by the Trusts, June 30, 2017	**19,017,955**

ii. SHARE-BASED COMPENSATION EXPENSE

	For the three months ended	
	June 30, 2017	June 30, 2016
Long-term incentive plan	**$ 11,969**	$ 8,987
Forgivable common share purchase loans	**253**	209
CSH Inducement Plan	**—**	491
Deferred share units (cash-settled)	**342**	(420)
Other	**—**	123
Total share-based compensation expense	**$ 12,564**	$ 9,390

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:

	June 30, 2017	March 31, 2017
Accounts receivable	$ 706	$ 211
Accounts payable and accrued liabilities	$ 122	$ 219

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, Europe and Dubai, Australia and the US. Operations located in Other Foreign Locations under Canaccord Genuity Asia are also included in Canaccord Genuity.

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

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

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

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

	For the three months ended							
	June 30, 2017				June 30, 2016			
	Canaccord Genuity	Canaccord Genuity Wealth Management	Corporate and Other	Total	Canaccord Genuity	Canaccord Genuity Wealth Management	Corporate and Other	Total
Revenues, excluding interest revenue	$ 119,787	$ 72,520	$ 2,325	$ 194,632	$ 140,156	$ 60,566	$ 1,850	$ 202,572
Interest revenue	1,999	2,431	746	5,176	442	2,154	1,012	3,608
Expenses, excluding undernoted	119,276	56,420	12,334	188,030	123,262	50,222	11,766	185,250
Amortization	2,418	2,315	261	4,994	2,740	2,394	251	5,385
Development costs	129	1,279	71	1,479	582	1,167	343	2,092
Interest expense	2,591	96	1,758	4,445	3,042	50	350	3,442
Restructuring costs	448	—	—	448	—	—	—	—
Acquisition-related costs	—	2,184	—	2,184	—	—	—	—
(Loss) income before intersegment allocations and income taxes	(3,076)	12,657	(11,353)	(1,772)	10,972	8,887	(9,848)	10,011
Intersegment allocations	4,314	4,541	(8,855)	—	3,620	3,583	(7,203)	—
(Loss) income before income taxes	$ (7,390)	$ 8,116	$ (2,498)	$ (1,772)	$ 7,352	$ 5,304	$ (2,645)	$ 10,011

For geographic reporting purposes, the Company's business operations are grouped into Canada, the US, the UK, Europe and Dubai, Australia and Other Foreign Locations which is comprised of our Asian operations. 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	
	June 30, 2017	June 30, 2016
Canada	**$ 73,706**	$ 80,629
UK & Europe	**64,804**	57,966
United States	**55,736**	54,297
Australia	**5,534**	11,058
Other Foreign Locations	**28**	2,230
	$ 199,808	$ 206,180

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 three months ended June 30, 2017:

	Legal provisions	Restructuring provisions	Total provisions
Balance, March 31, 2017	**$ 6,940**	**$ 4,853**	**$ 11,793**
Additions	**227**	**448**	**675**
Utilized	**(50)**	**(1,579)**	**(1,629)**
Recoveries	**(400)**	**—**	**(400)**
Balance, June 30, 2017	**$ 6,717**	**$ 3,722**	**$ 10,439**

The restructuring provision recorded during the period ended June 30, 2017 relate to termination benefits incurred as a result of the closing of certain trading operations in our UK and Europe capital markets operations.

Commitments, litigation proceedings and contingent liabilities

During the period ended June 30, 2017, there were no material changes to the Company's commitments or contingencies from those described in Notes 25 and 26 of the March 31, 2017 consolidated financial statements.

In the normal course of business, the Company is involved in litigation, and as of June 30, 2017, 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.

The Company is also subject to asserted and unasserted claims arising in the normal course of business which, as of June 30, 2017, 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. BUSINESS COMBINATION

On July 5, 2017 the Company announced that it has agreed to acquire Hargreave Hale Limited ("Hargreave Hale"), a leading independent UK-based investment and wealth management business. Under the terms of the transaction, the Company will acquire 100% of Hargreave Hale for an initial consideration of £52.1 million (C$88.1 million) and additional contingent consideration of up to £27.5 million (C$46.5 million). The contingent consideration is structured to be payable over a period of up to three years, subject to the achievement of certain performance targets related to the retention and growth of client assets and revenues and an amount determined with reference to the fund management business. The initial consideration will be funded in part from a credit facility in the amount of £40.0 million (C$67.6 million). Additional contingent consideration, if paid, will be funded from ongoing cash flow of the business.

The acquisition will be effected by a Scheme of Arrangement under the UK Companies Act 2006 and the closing of the acquisition is subject to regulatory approval and approval by shareholders of Hargreave Hale and other customary closing conditions. The acquisition is expected to be completed prior to the end of the third quarter of fiscal 2018.

The Company expensed $2.2 million of acquisition-related costs for the three months ended June 30, 2017. The acquisition-related costs include professional and consulting fees incurred for this acquisition.

ii. DIVIDENDS

On August 2, 2017, the Board of Directors approved a dividend of $0.01 per common share, payable on September 15, 2017, with a record date of September 1, 2017. [Note 13]

On August 2, 2017, the Board of Directors approved the following cash dividends: $0.24281 per Series A Preferred Share payable on October 2, 2017 with a record date of September 15, 2017; and $0.31206 per Series C Preferred Share payable on October 2, 2017 with a record date of September 15, 2017. [Note 13]

Shareholder Information

Corporate Headquarters

STREET ADDRESS

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

MAILING ADDRESS

Pacific Centre
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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

www.canaccordgenuity.com

General Shareholder Inquiries and Information

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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
Q2/18	November 7, 2017	December 22, 2017	January 2, 2018	December 1, 2017	December 15, 2017
Q3/18	February 7, 2018	March 16, 2018	April 2, 2018	March 2, 2018	March 15, 2018
Q4/18	June 6, 2018	June 22, 2018	July 3, 2018	June 22, 2018	July 3, 2018
Q1/19	August 1, 2018	September 14, 2018	October 1, 2018	August 31, 2018	September 10, 2018

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

Shareholder Administration

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

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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