CANACCORD Financial

Q3 FISCAL 2013 REPORT TO SHAREHOLDERS
A WORLD OF OPPORTUNITY

UN MONDE DE POSSIBILITÉS
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Canaccord Financial Inc. Reports Third Quarter Fiscal 2013 Results

Earned net income of $20.5 million during the quarter, excluding significant items[1]

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

TORONTO, February 6, 2013 – In the third quarter of fiscal 2013, the quarter ended December 31, 2012, Canaccord Financial Inc. (Canaccord, the Company, TSX: CF, LSE: CF.) generated $230.0 million in revenue. Excluding significant items[1] (a non-IFRS measure), the Company recorded net income of $20.5 million, or $0.17 per diluted common share. Including all expense items, on an IFRS basis, the Company recorded net income of $10.3 million, or $0.08 per diluted common share.

"The results of our fiscal third quarter clearly illustrate the benefits of the acquisitions we've made over the last several years. With record advisory revenue, continued growth of our UK wealth management business, and strong performance in the UK and US, we're pleased with the results we generated this quarter," stated Paul Reynolds, President and CEO of Canaccord Financial Inc.

Mr. Reynolds continued, "Over half of Canaccord's revenue is now earned in markets outside of Canada – underscoring the importance and strength of our global platform, and the value our clients receive from our comprehensive service offering."

Third Quarter of Fiscal 2013 vs. Second Quarter of Fiscal 2013

- Revenue of $230.0 million, up 23% or $43.4 million from $186.6 million
- Excluding significant items, expenses of $205.0 million, up 14% or $25.3 million from $179.7 million[1]
- Expenses of $216.9 million, up 6% or $12.0 million from $204.9 million
- Excluding significant items, net income of $20.5 million compared to net income of $5.9 million[1]
- Net income of $10.3 million compared to a net loss of $14.8 million
- Excluding significant items, diluted earnings per common share (EPS) of $0.17 compared to diluted EPS of $0.03 in the second quarter of fiscal 2013[1]
- Diluted EPS of $0.08 compared to a loss per common share of $0.19 in the second quarter of fiscal 2013

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Third Quarter of Fiscal 2013 vs. Third Quarter of Fiscal 2012

- Revenue of $230.0 million, up 56% or $82.1 million from $147.9 million
- Excluding significant items, expenses of $205.0 million, up 55% or $72.9 million from $132.1 million(1)
- Expenses of $216.9 million, up 52% or $74.1 million from $142.8 million
- Excluding significant items, net income of $20.5 million compared to net income of $10.6 million(1)
- Net income of $10.3 million compared to net income of $2.5 million
- Excluding significant items, diluted EPS of $0.17 compared to diluted EPS of $0.11(1)
- Diluted EPS of $0.08 compared to diluted EPS of $0.01

Year-to-Date Fiscal 2013 vs. Year-to-Date Fiscal 2012 (Nine Months Ended December 31, 2012 vs. Nine Months Ended December 31, 2011)

- Revenue of $579.2 million, up 36% or $152.0 million from $427.2 million
- Excluding significant items, expenses of $566.4 million, up 42% or $168.7 million from $397.7 million(1)
- Expenses of $608.8 million, up 47% or $195.5 million from $413.3 million
- Excluding significant items, net income of $10.1 million compared to net income of $23.1 million(1)
- Net loss of $25.2 million compared to net income of $10.4 million
- Excluding significant items, diluted EPS of $0.02 compared to diluted EPS of $0.23(1)
- Loss per common share of $0.35 compared to diluted EPS of $0.09

Financial Condition at End of Third Quarter Fiscal 2013 vs. Third Quarter Fiscal 2012

- Cash and cash equivalents balance of $556.0 million, down $144.9 million from $700.9 million
- Working capital of $397.2 million, down $74.7 million from $471.9 million
- Total shareholders' equity of $1.1 billion, up $198.9 million from $852.3 million
- Book value per diluted common share for the period end was $7.62, down 11% or $0.92 from $8.54(1)
- On February 6, 2013, the Board of Directors approved a quarterly dividend of $0.05 per common share payable on March 15, 2013 with a record date of March 1, 2013
- On February 6, 2013, the Board of Directors also approved a cash dividend of $0.34375 per Series A Preferred Share payable on April 1, 2013 with a record date of March 15, 2013, and a cash dividend of $0.359375 per Series C Preferred Share payable on April 1, 2013 to Series C Preferred shareholders of record as at March 15, 2013

Summary of Operations

CORPORATE

- On October 1, 2012, Canaccord's acquisition of Eden Financial Ltd.'s wealth management business closed
- On October 1, 2012, Canaccord appointed Philip Evershed Global Head of Investment Banking
- On November 6, 2012, Canaccord appointed Steve Buell Global Head of Research
- On November 7, 2012, Canaccord Financial Inc. welcomed Dipesh Shah as an additional independent director on its Board

CAPITAL MARKETS

- Canaccord Genuity led or co-led 33 transactions globally, raising total proceeds of C$888 million[2] during fiscal Q3/13
- Canaccord Genuity participated in 123 transactions globally, raising total proceeds of C$9.8 billion[2] during fiscal Q3/13
- During fiscal Q3/13, Canaccord Genuity led or co-led the following transactions:
  - Two transactions totalling £105.3 million for HICL Infrastructure Company Limited on the LSE
  - £100.0 million for Monitise plc on AIM
  - £100.0 million for Newlon Housing Trust (Private Placement)
  - SGD$94.0 million for Geo Energy Resources Ltd. on the SGX
  - C$89.1 million for Trez Capital Senior Mortgage Investment Corporation (non-exchange listed)
  - £80 million for Intermediate Capital Group Plc through a retail bond issue
  - C$54.6 million for Pure Industrial Real Estate Trust on the TSX
  - £48.5 million for Alpha Plus Holdings Plc through a retail bond issue
  - US$41.4 million for AcelRX Pharmaceuticals Inc. on the NASDAQ
  - C$34.5 million for SilverCrest Mines Inc. on the TSX Venture
  - AUD$36.0 million for Lifestyle Communities Limited on the ASX
  - AUD$30.0 million for Neon Energy Limited on the ASX
  - C$30.0 million for Labrador Iron Mines Holdings Limited on the TSX
  - C$28.8 million for TriOil Resources Ltd. on the TSX
  - AUD$21.0 million for Orocobre Limited on the ASX
  - £20.0 million for Secure Trust Bank Plc on AIM
- In Canada, Canaccord Genuity raised $238.1 million for government bond issuances and $25.0 million for corporate bond issuances during fiscal Q3/13
- Canaccord Genuity generated record advisory revenues of $69.3 million during fiscal Q3/13, an increase of 80% compared to the previous record of $38.5 million generated in the same quarter last year
- During fiscal Q3/13, Canaccord advised on the following M&A and advisory transactions:
  - Viterra Inc. on its acquisition by Glencore International plc
  - Yellow Media Ltd. on its C$2.8 billion recapitalization
  - Research In Motion on the sale of NewBay Software to Synchronoss Technologies, Inc.
  - Mateco Group (Odewald & Compagnie) on its acquisition by TVH Group
  - Sprott Power Corp. on its acquisition of Shear Wind Inc.
  - Automotive Technologies Inc. (Wireless Zone) on its acquisition by Glentel Inc.
  - Eco-Products on its acquisition by WNA, Inc.
  - GT Advanced Technologies on its acquisition of Twin Creek Technologies
  - Mears Group on its acquisition of Morrison Facilities Services Limited
  - Wildroots and TrueBliss on their acquisition by Continental Mills, Inc.
  - Psion on its acquisition by Motorola Solutions, Inc.
  - Buy As You View Holdings Limited on its acquisition by Rutland Partners
  - DHX Media Ltd. on its acquisition of Cookie Jar Entertainment
  - Score Media Inc. on its acquisition by Rogers Communications Corp.
  - Zetar on its acquisition by Zertus UK Holding Limited
  - Unifeeder on its acquisition of Feederlink from Irish Continental Group

CANACCORD WEALTH MANAGEMENT (GLOBAL)

- Globally, Canaccord Wealth Management generated $60.0 million in revenue
- Assets under administration in Canada, and assets under management in the UK and Europe, and Australia, were $27.0 billion at the end of Q3/13[1]

CANACCORD WEALTH MANAGEMENT (NORTH AMERICA AND AUSTRALIA)

- Canaccord Wealth Management generated $35.2 million in revenue and, after intersegment allocations, recorded a net loss of $5.6 million before taxes in Q3/13
- Assets under administration in Canada were $11.4 billion as at December 31, 2012, down 14% from $13.3 billion at the end of the previous quarter and down 21% from $14.4 billion at the end of fiscal Q3/12(1)
  - This decrease is due largely to the reduction of branches operating in Canada, as was announced on September 24, 2012
- Assets under management in Australia were $408 million at the end of fiscal Q3/13, up 15% from $354 million at the end of the previous quarter(1)
- Assets under management in Canada (discretionary) were $791 million as at December 31, 2012, up 1% from $784 million at the end of the previous quarter and up 30% from $607 million at the end of fiscal Q3/12(1)
- As at December 31, 2012, Canaccord Wealth Management had 184 Advisory Teams(3), a decrease of 94 Advisory Teams from December 31, 2011 and a decrease of 47 from September 30, 2012

CANACCORD WEALTH MANAGEMENT (UK AND EUROPE)

- Collins Stewart Wealth Management generated $24.8 million in revenue and, excluding significant items, recorded net income of $2.4 million before taxes in Q3/13
- This division recognized $1.5 million of restructuring and acquisition-related costs related to the purchase of Eden Financial Ltd.'s wealth management business and $1.6 million of amortization of intangible assets acquired in connection with the acquisition of CSHP. Including these significant items, Collins Stewart Wealth Management recorded a net loss after intersegment allocations and before income taxes of $0.7 million during the quarter ended December 31, 2012
- Assets under management (discretionary and non-discretionary) were $15.2 billion (£9.5 billion)

NON-IFRS MEASURES

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

(1) See Non-IFRS Measures above.
(2) Source: Transactions over $1.5 million. Internally sourced information.
(3) 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.

SELECTED FINANCIAL INFORMATION EXCLUDING SIGNIFICANT ITEMS

	Three months ended December 31			Nine months ended December 31		
(C$ thousands, except per share and % amounts)	**2012**	2011	Quarter-over-quarter change	**2012**	2011	YTD-over-YTD change
Total revenue per IFRS	**$ 230,003**	$ 147,889	55.5%	**$ 579,151**	$ 427,172	35.6%
Total expenses per IFRS	**216,882**	142,822	51.9%	**608,840**	413,252	47.3%
Significant items recorded in Canaccord Genuity						
Restructuring costs	**5,276**	1,292	n.m.	**9,671**	1,292	n.m.
Acquisition-related costs	**—**	2,700	(100.0)%	**388**	4,143	(90.6)%
Amortization of intangible assets	**3,473**	1,767	96.5%	**11,282**	3,627	211.1%
Significant items recorded in Canaccord Wealth Management						
Restructuring costs	**1,034**	—	n.m.	**14,601**	—	n.m.
Acquisition-related costs	**431**	—	n.m.	**1,331**	—	n.m.
Amortization of intangible assets	**1,643**	—	n.m.	**4,255**	—	n.m.
Significant items recorded in Corporate and Other						
Restructuring costs	**—**	5,000	(100.0)%	**900**	5,000	(82.0)%
Acquisition-related costs	**—**	—	n.m.	**—**	1,513	(100.0)%
Total significant items	**11,857**	10,759	10.2%	**42,428**	15,575	172.4%
Total expenses excluding significant items	**205,025**	132,063	55.2%	**566,412**	397,677	42.4%
Net income before taxes – adjusted	**$ 24,978**	$ 15,826	57.8%	**$ 12,739**	$ 29,495	(56.8)%
Income taxes – adjusted	**4,525**	5,182	(12.7)%	**2,674**	6,391	(58.2)%
Net income – adjusted	**$ 20,453**	$ 10,644	92.2%	**$ 10,065**	$ 23,104	(56.4)%
Earnings per common share – basic, adjusted	**$ 0.19**	$ 0.12	58.3%	**$ 0.02**	$ 0.26	(92.3)%
Earnings per common share – diluted, adjusted	**$ 0.17**	$ 0.11	54.5%	**$ 0.02**	$ 0.23	(91.3)%

n.m.: not meaningful

Fellow Shareholders:

The results of our fiscal third quarter demonstrate the value of our larger, global platform and the importance of the investments we've made over the last several years. Most notably, the successful integration of our acquisition of Collins Stewart Hawkpoint is evident across our business. Our UK and US operations are now operating profitably[(1)]. We're benefiting from a strong UK and European wealth management platform, in markets that should provide even more opportunities to grow client assets. And we've established Canaccord Genuity as a leading investment bank in the UK. In fact, Canaccord Genuity was the second most active investment bank in the UK for the number of transactions led or co-led during calendar 2012, and ninth overall for total proceeds raised for clients, in this highly competitive market[(2)].

Our strategy of geographic diversification appears to be well timed. By expanding our operations in the UK, US and overseas markets, we are much better positioned to leverage international market opportunities and withstand regional fluctuations of capital markets activity. The results of which are apparent in our performance. Half of Canaccord's revenue is now generated in markets outside of Canada – underscoring the importance of the expansion activities we successfully executed over the last several years.

Quarterly Performance

Record advisory fees drove significant revenue gains during our fiscal third quarter. In the three months ended December 31, 2012, Canaccord Financial Inc. generated revenue of $230.0 million and adjusted net income[(1)] of $20.5 million, or $0.17 per diluted common share. During the quarter we implemented a number of strategies aimed at enhancing the performance of some of our businesses. These initiatives resulted in $11.9 million of restructuring costs and other significant items not related to continuing operating activities. Including significant items, on an IFRS basis, the Company generated net income of $10.3 million, or $0.08 per diluted share.

Annualized return on common shareholders' equity, excluding significant items, increased to 7.8% during the quarter. We're pleased with the progress we're making to enhance ROE. Just as important, the increased diversification of our business should allow us to achieve more consistent returns going forward.

We remain committed to a conservative capital strategy. Our business continues to be well capitalized to serve our clients, both in the current market environment and during periods with much more robust market activity. At the end of the fiscal third quarter, Canaccord had $556.0 million in cash and cash equivalents, $397.2 million in net working capital and $1.1 billion in shareholders' equity. I'm also pleased to confirm that our Board of Directors approved a dividend of $0.05 this quarter.

Canaccord Genuity

Our strategy to further integrate our global capital markets platform, particularly within our investment banking practice, is progressing very well. We believe these efforts will further enhance the value of the services we offer and increase our relevance to clients. We also expect additional synergies will be achieved through further cross-border collaboration – benefiting both our business and our clients.

Canaccord Genuity generated $165.4 million of revenue globally, an increase of 39% from last quarter and 77% from the same period last year. While revenue grew substantially, operating expenses only increased 16% from the previous quarter, which lowered expense ratios in this division meaningfully. Canaccord Genuity contributed $29.3 million of adjusted net income before tax[(1)] to the Company during the fiscal quarter, an increase of 116% compared to the same period last year.

This quarter set a new company record for M&A and advisory revenue. At $69.3 million, more revenue was generated through our global advisory practice than in the past two quarters combined. In addition, in the first nine months of fiscal 2013 we have generated 15% more advisory revenue than all of last year. This performance was helped by two substantial and high-profile advisory mandates completed in Canada, as well as increased advisory activity in the UK and Europe. It is a strong representation of the value being generated from our acquisitions of Genuity Capital Markets in 2010 and Collins Stewart Hawkpoint last year. We are particularly pleased with the performance of our advisory practice, and continue to have a very healthy pipeline of advisory mandates.

In the last several months we have taken steps to better integrate the advisory business of Canaccord Genuity Hawkpoint into our broader global investment banking group. We expect our UK and European clients will benefit greatly from this integrated approach, through our ability to meet multiple corporate needs with one dedicated team. When this initiative completes on March 1, this business will operate under the Canaccord Genuity brand.

Capital raising activity also benefited from the expanded reach of our operations this quarter, with contributions from all the markets we service. On a global basis, Canaccord Genuity led or co-led 33 transactions over $1.5 million during the quarter, raising over C$887 million for clients. Investment banking activities generated $34.2 million of revenue for the division, a 10% increase from last quarter, and a 45% increase from the same period last year.

Wealth Management

Much of our focus this quarter was dedicated to enhancing our global wealth management platform. In the UK, we were very pleased to welcome our new colleagues from Eden Financial on October 1. Approximately 35 wealth management professionals joined our firm, as did 2,500 client accounts and £835 million of new client assets. This team is now working side-by-side with colleagues from Collins Stewart Wealth Management and will ultimately work from the same support platform.

In Canada, we continued with our strategy of strengthening our platform by focusing our operations in core Canadian centres. Canaccord Wealth Management now has 16 branches across the country. At the end of the quarter, our Canadian wealth management division had 184 Investment Advisory teams and $11.4 billion of assets under administration.

Combined, Canaccord's wealth management operations generated $60.0 million of revenue, an increase of 4% compared to last quarter and 35% compared to the same period last year.

Today, our global wealth management platform operates in Canada, the UK, Switzerland, the Channel Islands, the Isle of Man and Australia. We oversee $27.0 billion of client assets(3). And we offer clients tailored services through our team of over 800 wealth management employees.

To better reflect the scope of this division, I'm pleased to announce that our global wealth management operations will soon be unified under one universal brand: Canaccord Genuity Wealth Management. We believe this change will more accurately communicate the span of our wealth management businesses to our clients and stakeholders, and will allow us to more easily share resources amongst the markets we operate in. We expect this branding change will be implemented during the second calendar quarter.

Looking Forward

While the market environment has been less than optimal for several quarters, we are beginning to see promising signs of capital markets activity. We're optimistic that equity markets and financing transactions will rebound in the coming months, as we are already seeing positive inflows to equities from fixed income products. As appetite for risk returns, particularly in the US and the UK, we expect our well-established transactional capabilities will benefit alongside our already robust M&A pipeline.

Our focus continues to be on further integrating our business within our investment banking practice and across our wealth management platform, in order to capture the full value of our operating scale. We also remain committed to evaluating ways to enhance the earnings capabilities of our firm, whether they involve activities aimed at lowering our expense ratios or growing our relevance to clients. All of our efforts have been, and will continue to be, aimed at expanding our client relationships and increasing the value of our business for our shareholders.

Kind regards,

PAUL D. REYNOLDS
President & CEO

(1) Excluding restructuring and acquisition-related items referred to as "significant items" elsewhere in this report. Adjusted net income before tax is net income before tax excluding significant items.
(2) Thomson Reuters information.
(3) As at December 31, 2012.

Management's Discussion and Analysis

Third quarter fiscal 2013 for the three months and nine months ended December 31, 2012 – this document is dated February 6, 2013

The following discussion of the financial condition and results of operations for Canaccord Financial Inc. (Canaccord or the Company) is provided to enable the reader to assess material changes in our financial condition and to assess results for the three- and nine-month periods ended December 31, 2012 compared to the corresponding periods in the preceding fiscal year. The three- and nine-month periods ended December 31, 2012 are also referred to as third quarter 2013 and Q3/13. This discussion should be read in conjunction with the unaudited interim condensed consolidated financial statements for the three- and nine-month periods ended December 31, 2012, beginning on page 29 of this report; our Annual Information Form (AIF) dated May 29, 2012; and the 2012 annual Management's Discussion and Analysis (MD&A) including the audited consolidated financial statements for the fiscal year ended March 31, 2012 (Audited Annual Consolidated Financial Statements) in Canaccord's annual report dated May 23, 2012 (the annual report). There has been no material change to the information contained in the annual MD&A for fiscal 2012 except as disclosed in this MD&A. Canaccord's financial information is expressed in Canadian dollars unless otherwise specified.

Cautionary Statement Regarding Forward-Looking Information

This document may contain "forward-looking statements" (as defined under applicable securities laws). These statements relate to future events or future performance and reflect management's expectations, beliefs, plans, estimates, intentions and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts, including business and economic conditions and Canaccord's growth, results of operations, performance and business prospects and opportunities. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue", "target", "intend", "could" or the negative of these terms or other comparable terminology. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and a number of factors could cause actual events or results to differ materially from the results discussed in the forward-looking statements. In evaluating these statements, readers should specifically consider various factors that may cause actual results to differ materially from any forward-looking statement. These factors include, but are not limited to, market and general economic conditions, the nature of the financial services industry and the risks and uncertainties discussed from time to time in the Company's interim condensed and annual consolidated financial statements and its annual report and the 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 2013 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 its annual report and the AIF filed on www.sedar.com. The preceding list is not exhaustive of all possible risk factors that may influence actual results. Readers are cautioned that the preceding list of material factors or assumptions is not exhaustive.

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

Presentation of Financial Information and Non-IFRS Measures

This MD&A is based on the unaudited interim condensed consolidated financial statements for the three- and nine-month periods ended December 31, 2012 (Third Quarter 2013 Financial Statements) prepared in accordance with International Financial Reporting Standards (IFRS). The Third Quarter 2013 Financial Statements have been prepared in accordance with International Accounting Standard 34, "*Interim Financial Reporting*" (IAS 34), using accounting policies consistent with those applied in preparing the Company's Audited Annual Consolidated Financial Statements for the year ended March 31, 2012.

NON-IFRS MEASURES

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

Canaccord's capital is represented by common shareholders' equity and, therefore, management uses return on common equity (ROE) as a performance measure. Also used by the Company as a performance measure is book value per diluted common share, which is calculated as total common shareholders' equity divided by the number of diluted common shares outstanding.

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 or AUM – UK and Europe is the market value of client assets managed and administered by Canaccord from which Canaccord earns commissions and fees. This measure includes 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 Managed Account Program*. Services provided include the selection of investments and the provision of investment advice. Canaccord's method of calculating AUA – Canada, AUM – Canada, AUM – Australia or AUM – UK and Europe may differ from the methods used by other companies and therefore may not be comparable to other companies. Management uses these measures to assess operational performance of the Canaccord Wealth Management business segment, which now includes Collins Stewart Wealth Management. AUM – Canada is also administered by Canaccord and is included in AUA – Canada.

Financial statement items that exclude significant items are non-IFRS measures. Significant items for these purposes are defined as including restructuring costs, amortization of intangible assets, and acquisition-related expense items, which include costs recognized in relation to both prospective and completed acquisitions. See the Selected Financial Information Excluding Significant Items table on page 13.

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

Business Overview

Through its principal subsidiaries, Canaccord Financial Inc. is a leading independent, full-service financial services firm, with operations in two principal segments of the securities industry: global capital markets and wealth management. Since its establishment in 1950, Canaccord has been driven by an unwavering commitment to building lasting client relationships. We achieve this by generating value for our individual, institutional and corporate clients through comprehensive investment solutions, brokerage services and investment banking services. Canaccord has offices in 13 countries worldwide, including wealth management offices located in Canada, Australia, the UK and Europe. Canaccord Genuity, the Company's international capital markets division, has operations in Canada, the US, the UK, France, Germany, Ireland, Italy, Hong Kong, mainland China, Singapore, Myanmar, Australia and Barbados.

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

Our business is affected by the overall condition of the worldwide equity and debt markets, including the seasonal variance in these markets.

BUSINESS ENVIRONMENT

Global equity markets pursued their recovery during Canaccord's fiscal third quarter of 2013. Investors' risk appetite improved as a result of another quantitative easing initiative announced by the US Federal Reserve (Fed) in December, with a monetary policy aimed at supporting a reasonable level of economic and employment growth. That is, the Fed has committed to holding interest rates steady until unemployment falls at least to 6.5% – a level projected to be reached in 2015. Furthermore, in view of the large economic output gap and upcoming fiscal constraints, the Fed is prepared to tolerate inflation rates above baseline projections of 2% in order to provide the economy with a margin of safety. Elsewhere, in Asia, more fiscal stimulus in China helped the economy re-accelerate, with fourth-quarter GDP rebounding to 7.9% from 7.4%. And in Europe, with the European Central Banks acting as a backstop for investors, borrowing costs continued their decline with yields on most distressed debt countries falling to new year lows.

During fiscal Q3/13, equity markets were held back by much uncertainty regarding the US fiscal-cliff negotiations. Nevertheless, the Canadian S&P/TSX Composite rose 0.9%, compared to a 1.0% decline for the S&P 500 and a 2.5% increase for the MSCI world equity index. Canadian equities underperformed compared to their world counterparts, owing to the poor showing of commodity prices (-2.9%). This setback, along with year-end tax-loss selling activities, contributed to the underperformance of small-cap equities, with the S&P/TSX Venture index falling a notable 8.5%. Nonetheless, equity-market returns have largely outperformed government and corporate bonds during calendar 2012. However, this positive shift in investors' risk appetite has yet to translate into more underwriting and secondary market-trading activities. The bulk of improvement in industry capital markets revenues during fiscal Q3/13 came from Mergers & Acquisitions (M&A) and advisory activities.

Looking forward, leading economic indicators point to a phase of economic re-acceleration for the global economy later this spring assuming fiscal authorities do not negate the efforts of world central banks. Global capital markets are well positioned to benefit from these conditions, especially in Canada, where this environment is typically characterized by rising equity and commodity prices. While M&A and advisory revenues have strengthened lately, we are optimistic that industry revenues will continue to improve and broaden from fiscal Q3/13 through increased underwriting and trading activities.

MARKET DATA

Financing values on the TSX and TSX Venture experienced increases compared to the previous quarter and the year-over-year period. Financing values on AIM experienced a notable increase compared to the previous quarter and a mild increase compared to the same period last year. On the NASDAQ, financing values experienced a decline compared to the previous quarter, yet experienced a slight increase compared to the same period last year.

TOTAL FINANCING VALUE BY EXCHANGE

	October 2012	November 2012	December 2012	Fiscal Q3/13	Change from fiscal Q3/12	Change from fiscal Q2/13
TSX and TSX Venture (C$ billions)	4.1	4.4	6.3	14.8	32.1%	42.3%
AIM (£ billions)	0.3	0.3	0.3	0.9	12.5%	80.0%
NASDAQ (US$ billions)	4.2	1.9	4.3	10.4	6.1%	(24.1)%

Source: TSX Statistics, LSE AIM Statistics, Equidesk

ABOUT CANACCORD'S OPERATIONS

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

Canaccord Genuity

Canaccord Genuity offers corporations and institutional investors around the world an integrated platform for equity research, sales and trading, and investment banking services that is built on extensive operations in Canada, the UK, Europe, the US, China, Myanmar, Singapore, Australia and Barbados. The Canaccord Genuity business segment includes operations from Canaccord Genuity branded businesses, and also from Canaccord Genuity Hawkpoint and Canaccord Genuity Asia.

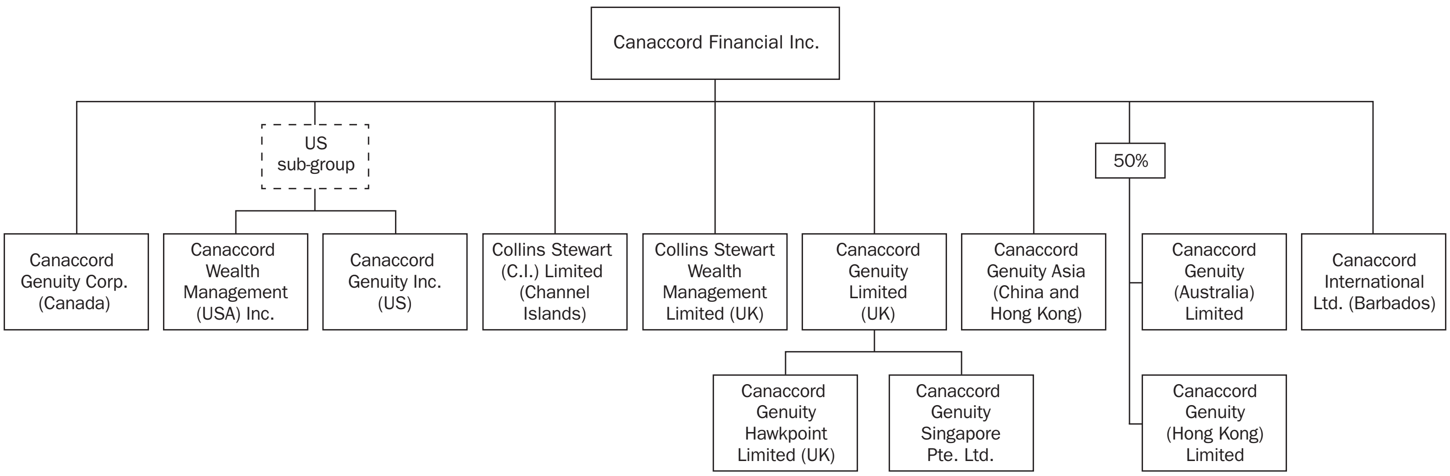
Canaccord Wealth Management

Canaccord's wealth management operations provide comprehensive wealth management solutions and brokerage services to individual investors, private clients, charities and intermediaries, through a full suite of services tailored to the needs of clients in each of the markets the division operates in. Canaccord's growing wealth management division now has Investment Advisors (IAs) and professionals in Canada, Australia, the UK, Switzerland and offshore locations (the Channel Islands and Isle of Man). The Canaccord Wealth Management business segment includes operations from Canaccord Wealth Management branded businesses and Collins Stewart Wealth Management.

Corporate and Other

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

Corporate structure



Consolidated Operating Results

THIRD QUARTER AND YEAR-TO-DATE 2013 SUMMARY DATA[1][2]

(C$ thousands, except per share, employee and % amounts)	Three months ended December 31 2012	2011	2010	QTD Q3/13 vs. Q3/12	Nine months ended December 31 2012	2011	2010	YTD FY 2013 vs. FY 2012
Canaccord Financial Inc. (CFI)								
Revenue								
Commissions and fees	**$ 87,406**	$ 57,380	$ 87,433	52.3%	**$ 263,001**	$ 178,707	$ 212,691	47.2%
Investment banking	**40,459**	32,015	116,716	26.4%	**106,963**	121,672	223,853	(12.1)%
Advisory fees	**69,348**	38,541	25,276	79.9%	**123,545**	82,736	59,212	49.3%
Principal trading	**18,670**	3,304	10,658	n.m.	**43,626**	3,878	26,213	n.m.
Interest	**7,291**	8,147	7,753	(10.5)%	**22,441**	23,594	16,333	(4.9)%
Other	**6,829**	8,502	6,998	(19.7)%	**19,575**	16,585	17,734	18.0%
Total revenue	**230,003**	147,889	254,834	55.5%	**579,151**	427,172	556,036	35.6%
Expenses								
Incentive compensation	**114,137**	69,815	126,640	63.5%	**293,427**	209,267	269,663	40.2%
Salaries and benefits	**21,082**	15,009	14,739	40.5%	**65,697**	46,289	46,877	41.9%
Other overhead expenses[3]	**74,922**	49,006	49,789	52.9%	**222,825**	145,748	142,600	52.9%
Restructuring costs	**6,310**	6,292	—	0.3%	**25,172**	6,292	—	n.m.
Acquisition-related costs	**431**	2,700	1,750	(84.0)%	**1,719**	5,656	12,740	(69.6)%
Total expenses	**216,882**	142,822	192,918	51.9%	**608,840**	413,252	471,880	47.3%
Income (loss) before income taxes	**13,121**	5,067	61,916	159.0%	**(29,689)**	13,920	84,156	n.m.
Net income (loss)	**$ 10,264**	$ 2,531	$ 42,997	n.m.	**$ (25,199)**	$ 10,448	$ 58,420	n.m.
Net income (loss) attributable to:								
CFI shareholders	**$ 10,880**	$ 3,026	$ 42,997	259.6%	**$ (23,649)**	$ 10,943	$ 58,420	n.m.
Non-controlling interests	**$ (616)**	$ (495)	$ —	24.4%	**$ (1,550)**	$ (495)	$ —	213.1%
Earnings (loss) per common share – diluted	**$ 0.08**	$ 0.01	$ 0.51	n.m.	**$ (0.35)**	$ 0.09	$ 0.72	n.m.
Return on common equity[4]	**3.7%**	0.6%	24.3%	3.1 p.p.	**(5.0)%**	1.3%	11.4%	(6.3) p.p.
Dividends per common share	**$ 0.05**	$ 0.10	$ 0.075	(50.0)%	**$ 0.15**	$ 0.30	$ 0.175	(50.0)%
Book value per diluted common share[5]	**$ 7.62**	$ 8.54	$ 8.43	(10.8)%				
Total assets	**$4,977,201**	$4,439,877	$4,555,884	12.1%				
Total liabilities	**$3,910,105**	$3,569,364	$3,831,158	9.5%				
Non-controlling interests	**$ 15,913**	$ 18,218	$ —	(12.7)%				
Total shareholders' equity	**$1,051,183**	$ 852,295	$ 724,726	23.3%				
Number of employees	**2,129**	1,735	1,628	22.7%				
Excluding significant items[6]								
Total expenses	**$ 205,025**	$ 132,063	$ 190,238	55.2%	**$ 566,412**	$ 397,677	$ 454,944	42.4%
Income before income taxes	**24,978**	15,826	64,596	57.8%	**12,739**	29,495	101,092	(56.8)%
Net income	**20,453**	10,644	45,604	92.2%	**10,065**	23,104	71,873	(56.4)%
Net income attributable to CFI shareholders	**20,746**	10,825	45,604	91.6%	**10,550**	23,285	71,873	(54.7)%
Earnings per common share – diluted	**0.17**	0.11	0.55	54.5%	**0.02**	0.23	0.89	(91.3)%

(1) Data is in accordance with IFRS except for ROE, book value per diluted common share, number of employees, and figures that exclude significant items. See Non-IFRS Measures on page 9.
(2) Data includes the results of Genuity since the closing date of April 23, 2010. Results of Canaccord Genuity Asia since the closing date of January 17, 2011 and the results for Canaccord Genuity and Canaccord Wealth Management operations in Australia since the closing date of November 1, 2011 are also included. The operating results of the Australian operations have been fully consolidated and a 50% non-controlling interest has been recognized. Results of former Collins Stewart Hawkpoint plc (CSHP) entities since March 22, 2012 and the wealth management business of Eden Financial Ltd. since October 1, 2012 are also included.
(3) Consists of trading costs, premises and equipment, communication and technology, interest, general and administrative, amortization and development costs.
(4) ROE is presented on an annualized basis. ROE for each period is calculated by dividing the annualized net income (loss) available to common shareholders for the period over the average common shareholders' equity for the period.
(5) Book value per diluted common share is calculated as total common shareholders' equity divided by the number of diluted common shares outstanding.
(6) Net income (loss) and earnings (loss) per diluted common share excluding significant items reflect tax-effected adjustments related to such items. See the Selected Financial Information Excluding Significant Items table on page 13.
p.p.: percentage points
n.m.: not meaningful

SELECTED FINANCIAL INFORMATION EXCLUDING SIGNIFICANT ITEMS[1]

(C$ thousands, except per share and % amounts)	Three months ended December 31 2012	Three months ended December 31 2011	Quarter-over-quarter change	Nine months ended December 31 2012	Nine months ended December 31 2011	YTD-over-YTD change
Total revenue per IFRS	$ 230,003	$ 147,889	55.5%	$ 579,151	$ 427,172	35.6%
Total expenses per IFRS	216,882	142,822	51.9%	608,840	413,252	47.3%
Significant items recorded in Canaccord Genuity						
Restructuring costs	5,276	1,292	n.m.	9,671	1,292	n.m.
Acquisition-related costs	—	2,700	(100.0)%	388	4,143	(90.6)%
Amortization of intangible assets	3,473	1,767	96.5%	11,282	3,627	211.1%
Significant items recorded in Canaccord Wealth Management						
Restructuring costs	1,034	—	n.m.	14,601	—	n.m.
Acquisition-related costs	431	—	n.m.	1,331	—	n.m.
Amortization of intangible assets	1,643	—	n.m.	4,255	—	n.m.
Significant items recorded in Corporate and Other						
Restructuring costs	—	5,000	(100.0)%	900	5,000	(82.0)%
Acquisition-related costs	—	—	n.m.	—	1,513	(100.0)%
Total significant items	11,857	10,759	10.2%	42,428	15,575	172.4%
Total expenses excluding significant items	205,025	132,063	55.2%	566,412	397,677	42.4%
Net income before taxes – adjusted	$ 24,978	$ 15,826	57.8%	$ 12,739	$ 29,495	(56.8)%
Income taxes – adjusted	4,525	5,182	(12.7)%	2,674	6,391	(58.2)%
Net income – adjusted	$ 20,453	$ 10,644	92.2%	$ 10,065	$ 23,104	(56.4)%
Earnings per common share – basic, adjusted	$ 0.19	$ 0.12	58.3%	$ 0.02	$ 0.26	(92.3)%
Earnings per common share – diluted, adjusted	$ 0.17	$ 0.11	54.5%	$ 0.02	$ 0.23	(91.3)%

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

Revenue

Third quarter 2013 vs. third quarter 2012

On a consolidated basis, revenue is generated through six activities: commissions and fees associated with agency trading and private client wealth management activity, investment banking, advisory fees, principal trading, interest and other. Revenue for the three months ended December 31, 2012 was $230.0 million, an increase of 55.5% or $82.1 million compared to the same period a year ago.

Revenue generated from commissions and fees increased by $30.0 million, to $87.4 million, compared to the same period a year ago, primarily as a result of additional management fees revenue generated from our new wealth management division in the UK and Europe.

The acquisition of CSHP operations in Q4/12 led to increases in investment banking and advisory fees in Q3/13 compared to Q3/12. Investment banking revenue was $40.5 million, up $8.4 million or 26.4%, and advisory revenue grew by $30.8 million or 79.9%, to $69.3 million, in Q3/13, from the same period a year ago. The growth in investment banking was most notable in the UK and Europe, with a $9.4 million increase. Advisory fees grew by $12.6 million in the UK and Europe. Advisory revenue in the Canadian capital markets operations also increased, by $17.4 million, as a result of the increased activity and large scale transactions that closed during the quarter.

The Company's global expansion also contributed to our principal trading revenue, especially in the US geographic segment. Principal trading revenue was $18.7 million, up $15.4 million compared to $3.3 million in Q3/12. The fluctuation in the Canadian dollar resulted in a drop in foreign exchange gains in Q3/13, as reflected by the decrease in other revenue.

Year-to-date fiscal 2013 vs. year-to-date fiscal 2012

Revenue for the nine months ended December 31, 2012 was $579.2 million, an increase of 35.6% or $152.0 million compared to the same period a year ago, mainly due to the expanded operations achieved through the acquisitions of CSHP and a 50% interest in Canaccord Genuity (Australia) Limited (formerly Canaccord BGF). Commissions and fees revenue was $263.0 million, representing an increase of 47.2%. Revenue generated from investment banking activities was down 12.1%, to $107.0 million, due to a decline in financing activity in equity markets in Canada and the US.

Advisory fees of $123.5 million represented an increase of 49.3%, or $40.8 million, compared to the same period in the prior year. As noted above, the expansion in the UK and Europe, through the acquisition of CSHP, is the main contributor to the increase in advisory fees.

Revenue derived from principal trading was $39.7 million higher at $43.6 million, compared to the same period last year, primarily due to the expansion of the UK and Europe, and US operations.

Other revenue increased by $3.0 million, to $19.6 million, compared to the same period last year, largely as a result of higher foreign exchange gains and the gain on sale of our investment in Alpha Trading System (Alpha).

GEOGRAPHIC DISTRIBUTION OF REVENUE FOR THE THIRD QUARTER 2013[1]

	Three months ended December 31			Nine months ended December 31		
(C$ thousands, except % amounts)	**2012**	2011	Quarter-over-quarter change	**2012**	2011	YTD-over-YTD change
Canada	**$ 115,470**	$ 110,444	4.6%	**$ 272,839**	$ 325,277	(16.1)%
UK and Europe	**69,040**	12,748	n.m.	**177,553**	31,332	n.m.
US	**38,195**	18,003	112.2%	**109,897**	63,784	72.3%
Other Foreign Locations[2]	**7,298**	6,694	9.0%	**18,862**	6,779	178.2%
Total	**$ 230,003**	$ 147,889	55.5%	**$ 579,151**	$ 427,172	35.6%

(1) For a business description of Canaccord's geographic distribution, please refer to the About Canaccord's Operations section on page 10.
(2) Other Foreign Locations include operations for Canaccord International Ltd., Canaccord Genuity Asia, Canaccord Genuity Singapore Pte. Ltd., and Canaccord Genuity (Australia) Limited (formerly Canaccord BGF).
n.m.: not meaningful

Third quarter 2013 vs. third quarter 2012

Third quarter 2013 revenue in Canada increased in our capital markets as a result of higher advisory fees, which were partially offset by a decrease in revenue generated in the wealth management segments as a result of the branch closures in the second quarter of fiscal 2013. Revenue derived from the Corporate and Other segment also decreased due to lower foreign exchange gains as a result of the fluctuations in the Canadian dollar. The net impact of these variances led to a $5.0 million or 4.6% increase in revenue in Canada. Our Canadian operations also experienced significant growth in advisory activities during the quarter.

Our UK and Europe operations generated $69.0 million of revenue in Q3/13, a considerable increase of $56.3 million, as a result of the acquisition of the CSHP operations in Q4/12. The wealth management operation in the UK and Europe contributed $24.8 million while the capital markets operations contributed $44.2 million to the total revenue.

Revenue in the US was $38.2 million in Q3/13, an increase of $20.2 million, or 112.2%, compared to Q3/12. The increase was mostly driven by higher principal trading revenue generated by the addition of certain principal trading units in the US through the CSHP acquisition. Advisory fees in the US contributed $5.2 million to the increase in total revenue as a result of an increase in advisory activity.

Canaccord's global expansion into Asia through its acquisition of CSHP's Singaporean operations resulted in a $0.6 million increase in revenue in its Other Foreign Locations geographic region.

Year-to-date fiscal 2013 vs. year-to-date fiscal 2012

Year-to-date revenue in Canada was $272.8 million, a decrease of 16.1% or $52.4 million from the same period a year ago. Revenue in the UK for the nine months ended December 31, 2012 was $177.6 million, which was a significant increase of $146.2 million compared to the same period a year ago. Revenue in the US was $109.9 million, $46.1 million or 72.3% higher than the nine months ended December 31, 2011. Revenue from Other Foreign Locations was $18.9 million compared to $6.8 million in the same period a year ago. The increase in revenue across the geographic locations was mainly attributable to Canaccord's global expansion in the UK and Europe, the US, Australia, Singapore, China, and Hong Kong. The growth in these geographic segments was offset by a decrease in revenue in Canada due to slower market conditions throughout the nine-month period ended December 31, 2012 compared to the same period in the prior year.

Expenses

Expenses for the three months ended December 31, 2012 were $216.9 million, an increase of 51.9% or $74.1 million from the same period a year ago. Expenses for the nine months ended December 31, 2012 were $608.8 million, an increase of 47.3% or $195.6 million from the same period a year ago.

EXPENSES AS A PERCENTAGE OF REVENUE

(in percentage points)	Three months ended December 31 2012	2011	Quarter-over-quarter change	Nine months ended December 31 2012	2011	YTD-over-YTD change
Incentive compensation	**49.6%**	47.2%	2.4 p.p.	**50.7%**	49.0%	1.7 p.p.
Salaries and benefits	**9.2%**	10.2%	(1.0) p.p.	**11.3%**	10.8%	0.5 p.p.
Other overhead expenses[(1)]	**32.6%**	33.1%	(0.5) p.p.	**38.5%**	34.1%	4.4 p.p.
Restructuring costs	**2.7%**	4.3%	(1.6) p.p.	**4.3%**	1.5%	2.8 p.p.
Acquisition-related costs	**0.2%**	1.8%	(1.6) p.p.	**0.3%**	1.3%	(1.0) p.p.
Total	**94.3%**	96.6%	(2.3) p.p.	**105.1%**	96.7%	8.4 p.p.

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

Compensation expenses

Third quarter 2013 vs. third quarter 2012

Incentive compensation expense was $114.1 million for the quarter, up 63.5% or $44.3 million. The increase in incentive compensation expense was largely due to higher incentive-based revenue, partially due to our expanded operations in the UK and Europe, and the US. Incentive compensation expense as a percentage of total revenue increased by 2.4 percentage points compared to the third quarter of fiscal 2012. The increase in salaries and benefits expense of $6.1 million or 40.5%, to $21.1 million, is consistent with the higher headcount, primarily in the UK and Europe, and the US, as a result of our global expansion.

Total compensation expense (incentive compensation plus salaries and benefits) as a percentage of revenue for Q3/13 was 58.8%, up 1.4 percentage points from 57.4% in Q3/12 due to the higher incentive compensation payout ratio in the Canadian operations.

Year-to-date fiscal 2013 vs. year-to-date fiscal 2012

Incentive compensation expense was $293.4 million for the nine months ended December 31, 2012, up 40.2% from the prior year, which was consistent with higher incentive-based revenue during the period. Consolidated incentive compensation as a percentage of total revenue was 50.7%, an increase of 1.7 percentage points, mainly as a result of higher long-term incentive plan (LTIP) expense recognized in relation to the amortization of awards granted in prior periods.

Salaries and benefits expense was $65.7 million, an increase of 41.9%, for the nine months ended December 31, 2012, compared to the same period a year ago for the reasons described above. Total compensation expense (incentive compensation plus salaries and benefits) as a percentage of consolidated revenue was 62.0%, up 2.2 percentage points from 59.8% recorded in the same period a year ago.

OTHER OVERHEAD EXPENSES

(C$ thousands, except % amounts)	Three months ended December 31 2012	2011	Quarter-over-quarter change	Nine months ended December 31 2012	2011	YTD-over-YTD change
Trading costs	**$ 10,419**	$ 7,416	40.5%	**$ 33,195**	$ 24,123	37.6%
Premises and equipment	**9,504**	6,633	43.3%	**31,200**	20,192	54.5%
Communication and technology	**12,140**	6,744	80.0%	**37,725**	19,885	89.7%
Interest	**3,981**	2,361	68.6%	**11,823**	6,736	75.5%
General and administrative	**23,809**	16,191	47.1%	**68,782**	48,728	41.2%
Amortization[(1)]	**8,398**	3,906	115.0%	**24,289**	9,758	148.9%
Development costs	**6,671**	5,755	15.9%	**15,811**	16,326	(3.2)%
Total other overhead expenses	**$ 74,922**	$ 49,006	52.9%	**$ 222,825**	$ 145,748	52.9%

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

Other overhead expenses

Third quarter 2013 vs. third quarter 2012

Compared to Q3/12, overhead expenses grew by 52.9% or $25.9 million in the third quarter of fiscal 2013, to $74.9 million. The increase was a result of higher trading, communication and technology, premises and equipment, interest, general and administrative, and amortization expenses.

Our expanded operations in the US, and the UK and Europe, from the acquisition of CSHP were the main contributors to the increase in overhead expenses during Q3/13. Trading costs were up $3.0 million in Q3/13 compared to the same quarter of the prior year, mainly due to the addition of certain principal trading operations in the US from the acquisition of CSHP. The Company's new wealth management operations in the UK and Europe and in Australia also contributed to the higher trading costs. Communication and technology expense increased by $5.4 million compared to Q3/12 as a result of the additional headcount as well as the global expansion of technology platforms. Premises and equipment expense increased by $2.9 million because of the additional office space acquired from our global expansion. Interest expense increased by $1.6 million, partially due to an increase in stock borrowing expense in our UK operations. Expansion in the US operations also led to higher interest expense of $0.4 million. General and administrative expense, which includes promotion and travel expense, office expense, professional fees and donation expense, was up $7.6 million, mainly due to our expanded operations, as well as certain integration costs incurred to align the various global business units. On October 25, 2012, our US capital markets division held a charity trading day and generated a $0.9 million donation to Youth, I.N.C.

Amortization of intangible assets acquired through the purchase of a 50% interest in Canaccord Genuity (Australia) Limited (formerly Canaccord BGF) and the acquisition of CSHP was the main reason for the $4.5 million increase in amortization expense.

In the US, steps were taken to take advantage of cost saving synergies between the recently acquired CSHP and the existing Canaccord Genuity US operations, which resulted in $3.0 million of restructuring costs. Furthermore, $3.3 million of restructuring costs were incurred in the UK and Europe in connection with a review of staff redundancies and the acquisition of Eden Financial Ltd.'s (Eden Financial) wealth management business, to grow the client asset base. Acquisition-related costs of $0.4 million also relate to the purchase of Eden Financial's wealth management business.

Year-to-date fiscal 2013 vs. year-to-date fiscal 2012

Other overhead expenses for the nine months ended December 31, 2012 increased by 52.9% or $77.1 million, to $222.8 million, from the same period a year ago. The variance relates to increases in communication and technology expense, general and administrative expense, amortization expense, premises and equipment expense, trading costs, and interest expense. The overall increase in overhead expenses for the nine-month period ended December 31, 2012 relates to the expanded operations in the US, and the UK and Europe.

Trading costs increased by $9.1 million compared to the same period last year for the same reason discussed above. Premises and equipment expense was also up, by $11.0 million, due to additional office space obtained to support the growth of the Company. Communication and technology expense saw a significant increase of $17.8 million from the same period last year, to $37.7 million, as a result of additional headcount gained through the Company's global expansion. Interest expense was higher in our US, and UK and Europe capital markets operations, leading to a $5.1 million increase during the period.

General and administrative expense was substantially higher, by $20.1 million, primarily as a result of a $5.1 million increase in professional fees, a $4.5 million increase in office expense, a $6.3 million increase in promotion and travel expense, and a $4.6 million increase in other expenses in support of the Company's global expansion, offset by a $1.6 million decrease in client settlement expense. In accordance with the Company's policy of reserving against unsecured balances, the Company recognized an additional $1.7 million credit provision in the nine months ended December 31, 2012 compared to the same period in the prior year.

The $14.5 million increase in amortization expense relates mostly to the amortization of intangible assets acquired through the purchase of a 50% interest in Canaccord Genuity (Australia) Limited (formerly Canaccord BGF) and the acquisition of CSHP.

During the nine months ended December 31, 2012, the Company took a number of steps to contain costs and refocus our Canadian operations. This resulted in $15.0 million of restructuring costs in Canada. The Company also recognized $6.8 million of restructuring costs in the US operations and $3.3 million in the UK operations, as mentioned above. The acquisition-related costs of $1.7 million relate to costs incurred for our acquisitions of the wealth management business of Eden Financial and certain assets and liabilities from Kenosis Capital Partners (Kenosis Capital) in Asia.

Net income

Third quarter 2013 vs. third quarter 2012

Net income for Q3/13 was $10.3 million compared to a net income of $2.5 million in the same period a year ago. Diluted earnings per share (EPS) were $0.08 in Q3/13 compared to $0.01 in Q3/12. The net income recognized in Q3/13 is mainly attributable to the growth in our advisory revenues in the Canadian operations. Book value per diluted common share for Q3/13 was $7.62 versus $8.54 in Q3/12.

Excluding significant items, which consist of restructuring costs, acquisition-related costs and amortization of intangible assets, net income for Q3/13 was $20.5 million compared to net income of $10.6 million in Q3/12. Diluted EPS, excluding significant items, was $0.17 in Q3/13 compared to $0.11 in Q3/12.

The increase in net income excluding significant items was mainly due to stronger revenue performance achieved through the Company's global expansion.

The effective tax rate for this quarter was 21.8% compared to an effective tax rate of 50.0% in the same quarter last year. The tax rate for Q3/13 was mainly impacted by temporary differences not recognized in jurisdictions outside of Canada.

Year-to-date fiscal 2013 vs. year-to-date fiscal 2012

Net loss for the nine months ended December 31, 2012 was $25.2 million compared to net income of $10.4 million for the same period a year ago. Diluted loss per share was $0.35 compared to diluted EPS of $0.09 a year ago, and ROE was (5.0)% compared to 1.3% a year ago. Net income excluding significant items was $10.1 million and diluted EPS was $0.02, compared to diluted EPS of $0.23 in the same period a year ago. The stronger revenue performance achieved through the Company's recent acquisition was offset by certain integration costs incurred to align the various global business units.

Income tax recovery was $4.5 million for the nine months ended December 31, 2012, reflecting a year-to-date effective tax recovery rate of 15.1%, compared to income tax of $3.5 million and an effective tax rate of 24.9% for the same period last year. The decrease in the effective tax rate was mainly driven by various permanent items as well as temporary differences not recognized for accounting purposes in certain operations outside of Canada.

Results of Operations by Business Segment

CANACCORD GENUITY(1)(2)

	Three months ended December 31			Nine months ended December 31		
(C$ thousands, except employees and % amounts)	**2012**	2011	Quarter-over-quarter change	**2012**	2011	YTD-over-YTD change
Revenue	**$ 165,447**	$ 93,581	76.8%	**$ 384,861**	$ 260,410	47.8%
Expenses						
Incentive compensation	**82,757**	45,233	83.0%	**206,596**	128,264	61.1%
Salaries and benefits	**8,263**	4,241	94.8%	**25,743**	12,834	100.6%
Other overhead expenses	**47,730**	29,694	60.7%	**146,915**	89,610	63.9%
Restructuring costs	**5,276**	1,292	n.m.	**9,671**	1,292	n.m.
Acquisition-related costs	**—**	2,700	(100.0)%	**388**	4,143	(90.6)%
Total expenses	**144,026**	83,160	73.2%	**389,313**	236,143	64.9%
Income (loss) before income taxes(3)	**$ 21,421**	$ 10,421	105.6%	**$ (4,452)**	$ 24,267	(118.3)%
Number of employees	**992**	650	52.6%	**992**	650	52.6%
Excluding significant items(4)						
Total expenses	**$ 135,277**	$ 77,401	74.8%	**$ 367,972**	$ 227,081	62.0%
Income (loss) before income taxes	**30,170**	16,180	86.5%	**16,889**	33,329	(49.3)%

(1) Data is in accordance with IFRS except for number of employees.
(2) Data includes the results of Genuity since the closing date of April 23, 2010. Results of Canaccord Genuity Asia since the closing date of January 17, 2011 and results of Canaccord Genuity's operations in Australia since the closing date of November 1, 2011 are also included. The operating results of the Australian operations have been fully consolidated and a 50% non-controlling interest has been recognized. Results of former CSHP entities since March 22, 2012 are also included.
(3) Income (loss) before income taxes excludes intersegment allocated costs. See the Intersegment Allocated Costs section on page 22.
(4) Refer to the Selected Financial Information Excluding Significant Items table on page 13.
n.m.: not meaningful

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

REVENUE BY GEOGRAPHY AS A PERCENTAGE OF CANACCORD GENUITY REVENUE

	Three months ended December 31			Nine months ended December 31		
(in percentage points)	**2012**	2011	Quarter-over-quarter change	**2012**	2011	YTD-over-YTD change
Revenue generated in:						
Canada	**46.2%**	60.8%	(14.6) p.p.	**38.3%**	62.0%	(23.7) p.p.
UK and Europe	**26.7%**	13.6%	13.1 p.p.	**29.2%**	12.0%	17.2 p.p.
US	**22.7%**	18.4%	4.3 p.p.	**28.1%**	23.4%	4.7 p.p.
Other Foreign Locations	**4.4%**	7.2%	(2.8) p.p.	**4.4%**	2.6%	1.8 p.p.
	100.0%	100.0%		**100.0%**	100.0%	

p.p.: percentage points

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

	Three months ended December 31			Nine months ended December 31		
(in percentage points)	**2012**	2011	Quarter-over-quarter change	**2012**	2011	YTD-over-YTD change
Incentive compensation ratio as a percentage of revenue						
Canada	**47.2%**	46.9%	0.3 p.p.	**49.2%**	45.1%	4.1 p.p.
UK and Europe	**54.1%**	50.4%	3.7 p.p.	**59.2%**	61.0%	(1.8) p.p.
US	**50.3%**	54.6%	(4.3) p.p.	**53.7%**	54.3%	(0.6) p.p.
Other Foreign Locations	**53.6%**	40.4%	13.2 p.p.	**55.9%**	48.9%	7.0 p.p.

p.p.: percentage points

Third quarter 2013 vs. third quarter 2012

Revenue

Revenue for Canaccord Genuity in Q3/13 was $165.4 million, an increase of 76.8% or $71.9 million from the same quarter a year ago.

Revenue in the UK and Europe, and US operations was up considerably, by $31.5 million and $20.4 million, respectively, due to the growth of the Company in these geographies through the acquisition of CSHP. Capital markets activity picked up in our Canadian operations during the third quarter of fiscal 2013, mainly as a result of the increased volume of advisory transactions, leading to an increase of 34.3% in revenue. Revenue from our Other Foreign Locations represented 4.4% of total Canaccord Genuity revenue, a decrease of 2.8 percentage points compared to the third quarter of fiscal 2012.

Expenses

Expenses for Q3/13 were $144.0 million, up 73.2% or $60.9 million. Incentive compensation expense was $82.8 million for the quarter, 83.0% or $37.5 million higher than Q3/12. The increase in incentive compensation expense was largely due to our expanded operations in the UK and Europe, and the US, as a result of the acquisition of CSHP. In Canada, incentive compensation expense as a percentage of revenue increased slightly to 47.2% from 46.9% in Q3/12.

The expansion of the Company through its acquisition of CSHP was also the main driver for the increase in salaries and benefits expense, general and administrative expense, communication and technology expense, amortization expense, premises and equipment expense, trading costs, and interest expense. The higher expenses resulted from operating under a larger global platform, as well as from certain integration costs incurred by the combined operations that carried into Q3/13.

During Q3/13, the Company incurred $5.3 million of restructuring costs to eliminate staffing redundancies and fully utilize synergies from the CSHP acquisition in both our US, and UK and Europe operations. Our US operations recognized $3.0 million of restructuring costs, while the UK and Europe operations recognized $2.3 million.

Interest expense was higher due to increased activity in our UK and Europe operations. Amortization expense was $5.0 million in Q3/13, up $2.0 million or 69.2% due to the amortization of intangible assets acquired in connection with the purchase of a 50% interest in Canaccord Genuity (Australia) Limited (formerly Canaccord BGF) and the acquisition of CSHP.

Income before income taxes and intersegment allocations

Income before income taxes, excluding allocated overhead expenses for the quarter, was $21.4 million, an increase of $11.0 million from an income of $10.4 million in the same quarter a year ago. Excluding significant items, income before income taxes and allocated overhead expenses was $30.2 million, compared to an income of $16.2 million in Q3/12. The increase in income before income taxes was attributable to higher revenues from the Company's expanded operations offset slightly by the higher overall expenditures in this segment.

Year-to-date fiscal 2013 vs. year-to-date fiscal 2012

Revenue

Revenue for Canaccord Genuity in the nine months ended December 31, 2012 was $384.9 million, an increase of $124.5 million from the same period last year. As discussed above, the increase in revenue is attributable mainly to the growth of our capital markets division in the UK and Europe, and the US. Revenue in the UK and Europe, and the US operations was up considerably, by 259.1% and 77.3%, respectively, due to the growth of the Company in these geographies through the acquisition of CSHP.

Despite an increase in capital markets activity during the third quarter of fiscal 2013, capital markets activity in our Canadian operations overall dropped during the nine-month period ended December 31, 2012. Lower capital markets activity was mainly attributable to the subdued pace of equity underwriting in our focus sectors due to volatility in the market environment, leading to a decrease of 8.5% in revenue. Revenue from our Other Foreign Locations represented 4.4% of total Canaccord Genuity revenue, up 1.8 percentage points compared to the same period a year ago as a result of the Company's global expansion into Australia and Singapore.

Expenses

Expenses for the nine months ended December 31, 2012 were $389.3 million, up 64.9% or $153.2 million. The higher expenses were mainly attributable to the increase in incentive compensation expense of $78.3 million. Salaries and benefits expense, general and administrative expense, communication and technology expense, premises and equipment expense, and trading costs all increased as necessary to support the growth in our Canaccord Genuity segment in the US, the UK and Europe, and Other Foreign Locations. The increases in these expenses were partially offset by a $1.9 million decrease in development costs as a result of hiring incentives incurred in our Asian operations in the prior year.

The $78.3 million increase in incentive compensation was a result of the higher incentive-based revenue. The incentive compensation ratio increased to 53.7% from 49.3% due to an increase in share-based compensation recognized.

Interest expense was $4.9 million higher due to increased stock borrowing in the UK and Europe. The increase in amortization expense of $9.0 million is attributable to the amortization of intangible assets acquired in connection with the purchase of a 50% interest in Canaccord Genuity (Australia) Limited (formerly Canaccord BGF) and the acquisition of CSHP.

During the nine months ended December 31, 2012, restructuring costs of $9.7 million were incurred as discussed above. Acquisition-related costs of $0.4 million were incurred during the period in connection with the purchase agreement with Kenosis Capital. Excluding significant items, total expenses of $368.0 million represented an increase of $141.0 million from the same period last year.

Loss before income taxes and intersegment allocations

Loss before income taxes, excluding allocated overhead expenses, for the nine-month period ended December 31, 2012 was $4.5 million, a decrease of $28.7 million or 118.3% from income of $24.3 million in the same period a year ago. The net earnings in this segment were negatively impacted by the uncertainties surrounding the slowdown in market activity in Canada and additional overhead expenses incurred by the Company as part of its global expansion. Excluding significant items, income before income taxes for the nine months ended December 31, 2012 was $16.9 million compared to income before income taxes of $33.3 million for the same period last year.

CANACCORD WEALTH MANAGEMENT[1][2]

(C$ thousands, except AUM and AUA (in C$ millions), employees, Advisory Teams, advisors, investment professionals and fund managers, and % amounts)	Three months ended December 31 2012	2011	Quarter-over-quarter change	Nine months ended December 31 2012	2011	YTD-over-YTD change
Revenue	$ 60,021	$ 44,571	34.7%	$ 174,858	$ 146,766	19.1%
Expenses						
Incentive compensation	28,686	22,544	27.2%	84,248	74,546	13.0%
Salaries and benefits	5,829	3,437	69.6%	17,771	10,702	66.1%
Other overhead expenses	20,069	11,263	78.2%	57,797	32,840	76.0%
Acquisition-related costs	431	—	n.m.	1,331	—	n.m.
Restructuring costs	1,034	—	n.m.	14,601	—	n.m.
Total expenses	56,049	37,244	50.5%	175,748	118,088	48.8%
Income (loss) before income taxes[3]	$ 3,972	$ 7,327	(45.8)%	$ (890)	$ 28,678	(103.1)%
AUM – Canada (discretionary)[4]	$ 791	$ 607	30.3%			
AUA – Canada[5]	$ 11,403	$ 14,367	(20.6)%			
AUM – Australia[6]	408	—	n.m.			
AUM – UK and Europe[7]	15,228	—	n.m.			
Total – AUA and AUM	$ 27,039	$ 14,367	88.2%			
Number of Advisory Teams – Canada	184	278	(33.8)%			
Number of advisors – Australia	11	n/a	n.m.			
Number of investment professionals and fund managers – UK and Europe	119	n/a	n.m.			
Number of employees	805	699	15.2%			

(1) Data is in accordance with IFRS except for AUM, AUA, number of Advisory Teams, number of advisors, number of investment professionals and fund managers and number of employees.
(2) Includes Canaccord Wealth Management operations in Canada, the US, the UK and Europe, and Australia. Canaccord Wealth Management operations in Australia were included since Q1/13. Operating results from former Collins Stewart Wealth Management entities were included since March 22, 2012 and operating results from the wealth management business of Eden Financial Ltd. were included since October 1, 2012.
(3) Income before income taxes excludes intersegment allocated costs. See the Intersegment Allocated Costs section on page 22.
(4) 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 Managed Account Program*.
(5) AUA in Canada is the market value of client assets administered by Canaccord, from which Canaccord earns commissions and fees.
(6) AUM in Australia is the market value of client assets administered by Canaccord, from which Canaccord earns commissions and fees. This measure includes both discretionary and non-discretionary accounts.
(7) AUM in the UK and Europe is the market value of client assets managed and administered by Canaccord, from which Canaccord earns commissions and fees. This measure includes both discretionary and non-discretionary accounts.
n.m.: not meaningful

Revenue from Canaccord Wealth Management is generated through traditional commission-based brokerage services, the sale of fee-based products and services, margin interest, and commissions and fees earned from investment banking and venture capital transactions by private clients. Canaccord now has wealth management operations in Canada, the US, the UK and Europe, and Australia.

Third quarter 2013 vs. third quarter 2012

Revenue from Canaccord Wealth Management was $60.0 million, an increase of $15.4 million or 34.7% as a result of our new wealth management operations in the UK and Europe. Our wealth management operations in the UK and Europe generated management fees and commission revenues of $22.2 million, which were offset by the decrease in commissions and fees revenues of $6.9 million in our North American and Australian wealth management operations.

The wealth management operations in Canada, the US and Australia contributed $35.2 million to the segment's revenue, a drop of $9.3 million from the third quarter of fiscal 2012. The decrease in revenue was mainly caused by the weak economic conditions that existed during Q3/13 and by the branch closures in Q2/13. As announced in Q2/13, the Company closed 16 underperforming branches across Canada to refocus the Canadian wealth management business.

Through the acquisition of CSHP in Q4/12, Canaccord Wealth Management expanded its operations into the UK and Europe, which generated revenue of $24.8 million during Q3/13. Revenue generated by our UK and Europe operations is largely produced through fee-based accounts and portfolio management activities, and, as such, is less sensitive to volatilities in market conditions.

AUA in Canada decreased by 20.6% to $11.4 billion at December 31, 2012, primarily due to poor market performance and branch closures as discussed above. AUM in Canada increased by 30.3% compared to Q3/12 due to an increased focus on the transition from traditional commission accounts to fee-based and managed accounts. There were 184 Advisory Teams in Canada, down by 94 from a year ago as a result of the branch closures during the quarter. The fee-based revenue in our North American and Australian operations was 8.1 percentage points higher than the same quarter of the prior year and accounted for 28.0% of this geographic segment's wealth management revenue during the third quarter of 2013.

AUM in the UK and Europe as of December 31, 2012 was $15.2 billion. The fee-based revenue in our UK and Europe operations accounted for 62.8% of total revenue in this geography. As discussed above, this business has a higher proportion of fee-based revenue compared to our Canadian wealth management business.

Expenses for Q3/13 were $56.0 million, an increase of 50.5% or $18.8 million. Restructuring costs of $1.0 million were recognized for the integration of the UK and Europe wealth management businesses. Acquisition-related costs of $0.4 million were incurred for the acquisition of the wealth management business of Eden Financial Ltd. Total compensation expense was up $8.5 million, mainly due to the additional headcount and incentive-based revenue earned from the expansion of our wealth management group in the UK and Europe. Other overhead expenses increased by $8.8 million, of which $10.0 million was due to additional overhead expenses resulting from the expanded operations gained through the acquisition of CSHP.

Amortization expense grew by $2.4 million, mostly due to the amortization of the intangible assets acquired in connection with the purchase of CSHP.

Income before income taxes, excluding allocated overhead expenses for the quarter, was $4.0 million compared to income before income taxes of $7.3 million in the same period a year ago. Reduced revenue in our Canadian wealth management business coupled with significant restructuring costs was the main contributor to the lower income before income taxes.

Year-to-date fiscal 2013 vs. year-to-date fiscal 2012

Revenue from Canaccord Wealth Management was $174.9 million during the nine-month period ended December 31, 2012, an increase of $28.1 million from the same period in the prior year. This growth was attributable to our expanded wealth management group in the UK and Europe, and, to a smaller degree, in Australia. Revenue generated in the UK and Europe and in Australia during the nine months ended December 31, 2012 was $65.1 million and $2.2 million, respectively. The growth in our wealth management operations in the UK and Europe and in Australia was offset by a $38.1 million decrease in revenue in Canada.

Expenses for the nine months ended December 31, 2012 were $175.7 million, up $57.7 million or 48.8% from the same period in the prior year. Incentive compensation expense increased $9.7 million or 13.0%, in line with the 19.1% growth in total revenue. Salaries and benefits expense was $7.1 million higher due to reasons discussed above. The total compensation expense payout as a percentage of revenue for the first nine months of fiscal 2013 was 58.3%, a slight increase of 0.2 percentage points from 58.1% for the same period a year ago.

General and administrative expense in the Canadian wealth management operations increased by $1.5 million or 15.9%, as a result of an increase in client settlement expense. The expansion of operations through the acquisition of CSHP resulted in a $24.4 million increase in other overhead expenses.

Loss before income taxes excluding allocated overhead expenses for the first nine months of fiscal 2013 was $0.9 million compared to income before income taxes of $28.7 million for the same period a year ago.

CORPORATE AND OTHER[1]

	Three months ended December 31			Nine months ended December 31		
(C$ thousands, except employees and % amounts)	**2012**	2011	Quarter-over-quarter change	**2012**	2011	YTD-over-YTD change
Revenue	**$ 4,535**	$ 9,737	(53.4)%	**$ 19,432**	$ 19,996	(2.8)%
Expenses						
Incentive compensation	**2,694**	2,038	32.2%	**2,583**	6,457	(60.0)%
Salaries and benefits	**6,990**	7,331	(4.7)%	**22,183**	22,753	(2.5)%
Other overhead expenses	**7,123**	8,049	(11.5)%	**18,113**	23,298	(22.5)%
Restructuring costs	**—**	5,000	(100.0)%	**900**	5,000	n.m.
Acquisition-related costs	**—**	—	—	**—**	1,513	(100.0)%
Total expenses	**16,807**	22,418	(25.0)%	**43,779**	59,021	(25.8)%
Loss before income taxes[2]	**$ (12,272)**	$ (12,681)	3.2%	**$ (24,347)**	$ (39,025)	37.6%
Number of employees	**332**	386	(14.0)%			
Excluding significant items[3]						
Total expenses	**$ 16,807**	$ 17,418	(3.5)%	**$ 42,879**	$ 52,508	(18.3)%
Loss before income taxes	**(12,272)**	(7,681)	(59.8)%	**(23,447)**	(32,512)	27.9%

(1) Data is in accordance with IFRS except for number of employees.
(2) Loss before income taxes excludes intersegment allocated costs. See the Intersegment Allocated Costs section on page 22.
(3) Refer to the Selected Financial Information Excluding Significant Items table on page 13.
n.m.: not meaningful

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

Third quarter 2013 vs. third quarter 2012

Revenue for the three months ended December 31, 2012 was $4.5 million, a decrease of 53.4% or $5.2 million from the same quarter a year ago. The change was mainly related to a $4.3 million decrease in foreign exchange gains recognized in Q3/13 due to the fluctuation of the Canadian dollar.

Expenses for Q3/13 went down by $5.6 million or 25.0%, to $16.8 million, mainly due to lower general and administrative expense. General and administrative expense decreased due to cost containment efforts in this segment. Restructuring costs also decreased, by $5.0 million, related to staff reduction costs incurred in Q3/12.

Overall, loss before income taxes was $12.3 million in Q3/13 compared to $12.7 million in the same quarter a year ago. Excluding significant items, this segment incurred a $12.3 million loss compared to a $7.6 million loss in Q3/12.

Year-to-date fiscal 2013 vs. year-to-date fiscal 2012

Revenue was $19.4 million, a slight decrease of $0.6 million, primarily attributable to lower interest revenue in the nine-month period ended December 31, 2012 offset by $0.9 million in net realized gain for the sale of our investment in Alpha, recorded in other revenue.

Expenses for the nine months ended December 31, 2012 were $43.8 million, a decrease of $15.2 million. Incentive compensation expense decreased $3.9 million or 60.0% due to lower group profitability. General and administrative expense and restructuring costs decreased for reasons stated above.

Restructuring costs were $0.9 million for the nine months ended December 31, 2012, compared to $5.0 million in the prior year, as a result of the Company's efforts to refocus its Canadian operations. In the same period of the prior year, the Company recognized $1.5 million of acquisition-related costs to facilitate potential acquisitions that were not pursued. Excluding these significant items, total expense decreased $9.6 million compared to the same period last year.

Overall, loss before income taxes was $24.3 million compared to $39.0 million for the same period a year ago. Excluding significant items, loss before income taxes was $23.4 million compared to $32.5 million in the nine-month period ended December 31, 2011.

Intersegment Allocated Costs

Included in the Corporate and Other segment are certain trade processing, support services, research and other expenses that have been incurred to support the activities within the Canaccord Genuity and Canaccord Wealth Management segments. Excluding executive incentive compensation and certain administrative support, foreign exchange gains and losses, and net interest, management has determined that allocable costs from Corporate and Other to Canaccord Wealth Management were $8.5 million and to Canaccord Genuity were $2.6 million for the three months ended December 31, 2012. For the nine months ended December 31, 2012, $27.2 million was allocated to Canaccord Wealth Management and $8.0 million to Canaccord Genuity.

Financial Condition

Below are specific changes in selected items on the consolidated statement of financial position.

ASSETS

Cash and cash equivalents were $556.0 million on December 31, 2012 compared to $814.2 million on March 31, 2012. Refer to the Liquidity and Capital Resources section on page 23 for more details.

Securities owned were $1.5 billion on December 31, 2012, an increase of $281.5 million from $1.2 billion on March 31, 2012 due to an increase in corporate and government debt owned.

Accounts receivable were $2.3 billion at December 31, 2012 compared to $3.1 billion at March 31, 2012, mainly due to a decrease in receivables from clients, as a result of reduced activity levels.

Goodwill was $492.3 million and intangible assets were $137.0 million at December 31, 2012, representing the goodwill and intangible assets acquired from the purchases of Genuity, The Balloch Group, a 50% interest in Canaccord Genuity (Australia) Limited (formerly Canaccord BGF), CSHP, the acquisition of certain assets of Kenosis Capital, and the wealth management business of Eden Financial. At March 31, 2012, goodwill was $472.5 million and intangible assets were $149.5 million. The changes in the intangible assets balance primarily relate to the amortization of intangible assets, netted against a $1.6 million increase as a result of the acquisition of Eden Financial. The goodwill balance increased by $19.8 million, mainly due to the acquisition of Eden Financial and the assets purchased from Kenosis Capital.

Other assets, consisting of income taxes receivable, deferred tax assets, equipment and leasehold improvements, and investments, were $58.4 million compared to $72.8 million at March 31, 2012. The decreases in other assets are mainly due to the sale of our investment in Alpha and lower income taxes receivable, netted against higher deferred tax assets as at December 31, 2012. The higher tax balances were mainly due to tax payments and temporary differences recognized in various jurisdictions.

LIABILITIES

Bank overdrafts and call loan facilities utilized by Canaccord may vary significantly on a day-to-day basis and depend on securities trading activity. At December 31, 2012, Canaccord had available credit facilities with banks in Canada and the UK in the aggregate amount of $611.4 million [March 31, 2012 – $650.4 million]. These credit facilities, consisting of call loans, subordinated debt, letters of credit and daylight overdraft facilities, are collateralized by either unpaid client securities and/or securities owned by the Company. On December 31, 2012, there was nil outstanding, compared to $75.1 million on March 31, 2012.

The Company entered into a $150.0 million senior secured credit agreement to finance a portion of the cash consideration for its acquisition of CSHP. This credit facility was repaid in full by May 22, 2012.

Securities sold short were $1.2 billion at December 31, 2012 compared to $914.6 million at March 31, 2012 due to an increase in holdings of short positions in both corporate and government debt, and equities and convertible debentures.

Accounts payable, including provisions, were $2.7 billion at December 31, 2012, a decrease from $3.6 billion on March 31, 2012, mainly due to a decrease in payables to clients.

Other liabilities, including subordinated debt, contingent consideration, income taxes payable and deferred tax liabilities, were $35.3 million at December 31, 2012 compared to $23.1 million at March 31, 2012. The Company accrued a contingent consideration of $6.0 million in relation to the purchase of assets and liabilities from Kenosis Capital, and $8.2 million in relation to the purchase of the wealth management business of Eden Financial Ltd. The increase was also due to higher income taxes payable.

Non-controlling interests were $15.9 million at December 31, 2012 compared to $17.5 million on March 31, 2012, which represents 50% of the net assets of our operations in Australia.

Off-Balance Sheet Arrangements

A subsidiary of the Company has entered into irrevocable secured standby letters of credit from a financial institution totalling $3.1 million (US$3.2 million) [March 31, 2012 – $1.9 million (US$1.9 million)] as rent guarantees for its leased premises in Boston and New York.

Liquidity and Capital Resources

Canaccord has a capital structure comprised of preferred shares, common shares, contributed surplus, retained earnings and accumulated other comprehensive income. On December 31, 2012, cash and cash equivalents were $556.0 million, a decrease of $258.3 million from $814.2 million as of March 31, 2012. During the nine months ended December 31, 2012, financing activities used cash in the amount of $184.3 million, mainly due to the repayment of the $150.0 million short term credit facility and a $75.1 million change in bank indebtedness, netted against the issuance of Series C Preferred Shares of $94.8 million. In addition, financing activities also used cash for the acquisition of common shares for LTIP awards of $14.9 million, for the purchase of share loans of $13.6 million, and cash dividends paid for common and preferred shares of $25.5 million. Investing activities used cash in the amount of $9.8 million, mainly related to the acquisition of Eden Financial and Kenosis Capital Partners, and the purchase of equipment and leasehold improvements. Operating activities used cash in the amount of $66.5 million, which was largely due to decreases in accounts payable, provisions, and accrued liabilities, offset by a decrease in accounts receivable, as well as other changes in non-cash working capital items. An increase in cash of $2.4 million was attributable to the effect of foreign exchange on cash balances. In total, there was a decrease in net cash of $258.3 million compared to March 31, 2012.

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

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

The following table summarizes Canaccord's long term contractual obligations on December 31, 2012:

	Contractual obligations payments due by period				
(C$ thousands)	Total	Fiscal 2014	Fiscal 2015–Fiscal 2016	Fiscal 2017–Fiscal 2018	Thereafter
Premises and equipment operating leases	$ 230,870	$ 32,774	$ 60,295	$ 47,786	$ 90,015

Preferred Shares

SERIES A PREFERRED SHARES

The Company issued 4,540,000 Cumulative 5-Year Rate Reset First Preferred Shares, Series A (Series A Preferred Shares) at a purchase price of $25.00 per share, for gross proceeds of $113.5 million during the year ended March 31, 2012. Quarterly cumulative cash dividends, if declared, will be paid at an annual rate of 5.5% for the initial five-year period ending on September 30, 2016. Thereafter, the dividend rate will be reset every five years at a rate equal to the five-year Government of Canada bond yield plus 3.21%.

Holders of Series A Preferred Shares have the right, at their option, to convert any or all of their shares into an equal number of Cumulative Floating Rate First Preferred Shares, Series B (Series B Preferred Shares), subject to certain conditions, on September 30, 2016 and on September 30 every five years thereafter. Holders of the Series B Preferred Shares will be entitled to receive floating rate, cumulative, preferential dividends payable quarterly, if declared, at a rate equal to the three-month Government of Canada Treasury Bill yield plus 3.21%.

The Company has the option to redeem the Series A Preferred Shares on September 30, 2016 and on September 30 every five years thereafter, in whole or in part, at $25.00 per share together with all declared and unpaid dividends. The Series B Preferred Shares are redeemable at the Company's option on September 30, 2021 and on September 30 every five years thereafter, in whole or in part, at $25.00 per share together with all declared and unpaid dividends.

As of February 6, 2013, there were 4,540,000 Series A Preferred Shares issued and outstanding.

SERIES C PREFERRED SHARES

On April 10, 2012, the Company issued 4,000,000 Cumulative 5-Year Rate Reset First Preferred Shares, Series C (Series C Preferred Shares) at a purchase price of $25.00 per share, for gross proceeds of $100 million. Quarterly cumulative cash dividends, if declared, will be paid at an annual rate of 5.75% for the initial five-year period ending on June 30, 2017. Thereafter, the dividend rate will be reset every five years at a rate equal to the five-year Government of Canada bond yield plus 4.03%.

Holders of Series C Preferred Shares have the right, at their option, to convert any or all of their shares into an equal number of Cumulative Floating Rate First Preferred Shares, Series D (Series D Preferred Shares), subject to certain conditions, on June 30, 2017 and on June 30 every five years thereafter. Holders of the Series D Preferred Shares will be entitled to receive floating rate, cumulative, preferential dividends payable quarterly, if declared, at a rate equal to the three-month Government of Canada Treasury Bill yield plus 4.03%.

The Company has the option to redeem the Series C Preferred Shares on June 30, 2017 and on June 30 every five years thereafter, in whole or in part, at $25.00 per share together with all declared and unpaid dividends. The Series D Preferred Shares are redeemable at the Company's option on June 30, 2022 and on June 30 every five years thereafter, in whole or in part, at $25.00 per share together with all declared and unpaid dividends.

The net amount recognized after deducting issue costs, net of deferred taxes of $1.0 million, was $97.4 million. As of December 31, 2012, the Company held 106,794 shares in treasury at par value of $2.6 million.

As of February 6, 2013, there were 4,000,000 Series C Preferred Shares issued and outstanding.

Outstanding Share Data

	Outstanding shares as of December 31	
	2012	2011
Preferred shares		
Series A – issued shares outstanding	**4,540,000**	4,000,000
Series C – issued shares outstanding	**4,000,000**	—
Common shares		
Issued shares excluding unvested shares(1)	**92,521,669**	74,998,990
Issued shares outstanding(2)	**102,512,817**	83,412,456
Issued shares outstanding – diluted(3)	**110,968,918**	87,141,674
Average shares outstanding – basic	**92,039,724**	74,523,387
Average shares outstanding – diluted	**102,225,856**	84,330,694

(1) Excludes 4,877,981 outstanding unvested shares related to share purchase loans for recruitment and retention programs and 5,113,167 unvested shares purchased by an employee benefit trust for the LTIP.
(2) Includes 4,877,981 outstanding unvested shares related to share purchase loans for recruitment and retention programs and 5,113,167 unvested shares purchased by an employee benefit trust for the LTIP.
(3) Includes 8,456,101 of share issuance commitments.

In August 2012, the Company filed a renewal notice for a normal course issuer bid (NCIB) to provide for the ability to purchase, at the Company's discretion, up to 3,000,000 of its common shares through the facilities of the TSX from August 13, 2012 to August 12, 2013. The purpose of the purchase of common shares under the NCIB is to enable the Company to acquire shares for cancellation. The shares that may be repurchased represent 2.93% of the Company's common shares outstanding at the time of the notice. In order to comply with the trading rules of the TSX and the conditions for trading under the *EU Buy-back and Stabilisation Regulation*, the daily purchases are limited to 40,468 common shares of the Company (which is the lesser of (a) 25% of the average daily trading volume of common shares of the Company on the TSX in the six calendar months from February 2012 to July 2012 and (b) 25% of the average daily trading volume of common shares of the Company on the TSX in the month of July 2012). Any shareholder may obtain a copy of the notice, without charge, by contacting the Company. There were no shares repurchased through the NCIB between August 31, 2012 and December 31, 2012.

As of February 6, 2013, the Company has 102,518,320 common shares issued and outstanding.

Share-Based Payment Plans

In addition to the share-based payment plans discussed in the 2012 Annual Report, the Company also established the CSH Inducement Plan, discussed below, during the nine months ended December 31, 2012.

CSH INDUCEMENT PLAN

In connection with the acquisition of CSHP, the Company agreed to establish a retention plan for key CSHP staff. During the quarter ended September 30, 2012, the Company finalized the terms of this plan and communicated the plan arrangements to the relevant employees. During the nine-month period ended December 31, 2012, the Company awarded 2,418,861 restricted share units (RSUs) under the new retention plan (the CSH Inducement Plan), which vest over a five-year period. In accordance with the plan, one-third of the total RSUs (806,302 RSUs) will vest on the third anniversary under the terms of the existing LTIP. The remaining two-thirds of the total RSUs (1,612,559 RSUs) will vest under the terms of the new CSH Inducement Plan, with one-half of the 1,612,559 RSUs vesting on the fourth anniversary and the remaining half on the fifth anniversary. During the three months ended December 31, 2012, 46,288 RSUs were forfeited. On each vesting date, the RSUs entitle the awardee to receive cash or common shares of the Company. If at the vesting date the share price is less than $8.50 per share, then the Company, at its election, will either (a) pay cash to the employee equal to $8.50 multiplied by the number of RSUs vesting on such date, or (b) pay cash to the employee equal to the difference between $8.50 and the vesting date share price, multiplied by the number of RSUs vesting on that date plus that number of shares equal to the number of RSUs vesting on such date.

International Financial Centre

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

Foreign Exchange

Canaccord manages its foreign exchange risk by periodically hedging pending settlements in foreign currencies. Realized and unrealized gains and losses related to these transactions are recognized in income during the period. On December 31, 2012, there were no forward contracts outstanding to sell US dollars, a decrease of US$3.7 million from a year ago. Forward contracts outstanding to buy US dollars decreased $1.3 million from a year ago with a notional amount of US$2.6 million. The fair value of these contracts was nominal. Some of Canaccord's operations in the US, the UK and Europe, Australia, Singapore, Hong Kong and China are conducted in the local currency; however, any foreign exchange risk in respect of these transactions is generally limited as pending settlements on both sides of the transaction are typically in the local currency.

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.

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

The Company offers various share-based payment plans to its key management personnel, including common share purchase loans, a long-term incentive plan, the CSH Inducement Plan and share options. Directors have also been granted share options and have the right to acquire deferred share units (DSUs). Please see Note 19 of the March 31, 2012 Audited Annual Consolidated Financial Statements for further information on the compensation of and transactions with key management personnel. Note 15 of the unaudited interim condensed consolidated financial statements for the quarter ended December 31, 2012 also includes the accounts payable and accrued liabilities balance owed to key management personnel.

Business Combinations

[i] CSHP

On March 21, 2012, the Company acquired 100% of CSHP. The purchase price allocation included in Note 11 to the March 31, 2012 consolidated financial statements was disclosed as preliminary. The purchase price allocation was finalized in the first quarter of fiscal 2013; there were no subsequent amendments to the fair values of consideration paid or net assets acquired. The purchase price allocation did not include an element of contingent consideration. The preliminary allocation of goodwill to the various cash-generating units was finalized during the period ended June 30, 2012, with no subsequent amendments.

[ii] KENOSIS CAPITAL PARTNERS

Peter O'Malley has joined the Company as Chief Executive Officer of Canaccord Genuity Asia. Mr. O'Malley joins Canaccord from Kenosis Capital Partners, where he was Chief Executive and Founder. His investment banking team from Kenosis Capital also joins Canaccord in Hong Kong. On September 14, 2012, the Company signed an agreement with Kenosis Capital, a merchant bank and advisory group, to acquire certain assets and liabilities for cash consideration of $1.2 million and additional contingent cash consideration based upon the achievement of certain performance criteria. This transaction qualifies as a business combination under IFRS 3, "*Business Combinations*" (IFRS 3), and has been accounted for under the acquisition method. The transaction was completed on September 16, 2012.

[iii] EDEN FINANCIAL LTD.

On October 1, 2012, the Company acquired the wealth management business of Eden Financial Ltd. (Eden), an owner-managed private client investment management business, for purchase consideration of $20.3 million (£12.8 million), of which $12.2 million (£7.7 million) was paid on closing and $8.1 million (£5.1 million) is payable after 12 months, subject to achieving certain performance targets related to revenue. Further incentives of up to $6.3 million (£4.0 million) will be paid to certain continuing Eden employees subject to certain performance conditions, and will be amortized as a development expense over a four-year period. An additional incentive payment of $3.3 million (£2.0 million) has also been awarded to certain Eden employees of which one-half will be amortized as a development expense over a one-year vesting period and one-half will be amortized over a two-year vesting period.

Critical Accounting Policies and Estimates

The unaudited interim condensed consolidated financial statements for the quarter ended December 31, 2012 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 IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Therefore, actual results may differ from those estimates and assumptions. The significant estimates include share-based payments, income taxes, deferred tax assets associated with tax losses available for carryforward, impairment of goodwill, indefinite life intangible assets and other long-lived assets, allowance for credit losses, fair value of financial instruments, and provisions and contingent liabilities.

In particular, the assessment for impairment of goodwill and identifiable indefinite life intangible assets requires the use of management's best estimates in order to determine fair values using discounted cash flow projections that employ the following key assumptions: future cash flows, growth projections and discount rates. Due to continuing economic uncertainties, interim impairment tests were performed for goodwill and indefinite life intangible assets for all cash-generating units as of December 31, 2012.

Refer to Note 9 of the unaudited interim condensed consolidated financial statements for the quarter ended December 31, 2012 for further information regarding the key assumptions used when conducting the December 31, 2012 interim impairment tests of goodwill and indefinite life intangible assets.

Significant accounting policies used and policies requiring management's judgment and estimates have not changed during the third quarter of 2013 and are discussed under "Critical Accounting Policies and Estimates" in our 2012 Annual Report.

Future Changes in Accounting Policies and Estimates

There have been no further updates to the "Future Changes in Accounting Policies and Estimates" disclosed in our 2012 Annual Report, during the nine months ended December 31, 2012. The Company is currently evaluating the impact these developments will have on its consolidated financial statements and assessing whether to early adopt any of the new requirements.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

DISCLOSURE CONTROLS AND PROCEDURES

Based on an evaluation performed as of March 31, 2012, the President & CEO and the Executive Vice President & CFO concluded that the design and operation of our disclosure controls and procedures were effective as defined under *National Instrument 52-109*, except in the scope limitation noted below, which exists as a result of the purchase of CSHP.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

Management, including the President & CEO and the Executive Vice President & CFO, has designed internal control over financial reporting as defined under *National Instrument 52-109* to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. An evaluation of the Company's internal control over financial reporting was performed as of March 31, 2012. Based on that evaluation, the President & CEO and the Executive Vice President & CFO concluded that the Company's internal control over financial reporting was designed and operating effectively and that there were no material weaknesses in our internal control over financial reporting, except in the scope limitation noted below, which existed as a result of the purchase of CSHP.

National Instrument 52-109 allows for a scope limitation on the design of disclosure controls and procedures and internal control over financial reporting to exclude controls, policies and procedures in respect of any business acquired not more than 365 days before the end of the relevant financial period.

At March 31, 2012, the acquisition of CSHP, which closed on March 21, 2012, had been excluded from the assessment of the Company's disclosure controls and procedures, as the operations of the former CSHP entities were not yet integrated into the Company's internal controls, policies and procedures. For the nine months ended December 31, 2012, the Company has included operations for the former CSHP entities as part of its fiscal 2013 assessment; however, management has not yet been able to complete its evaluation on the effectiveness of the disclosure controls and procedures, and internal control over financial reporting.

There were no changes in internal control over financial reporting that occurred during the period ended December 31, 2012 that have materially affected, or are reasonably likely to materially affect, Canaccord's internal control over financial reporting.

Dividend Policy

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

Dividend Declaration

On February 6, 2013, the Board of Directors approved a quarterly dividend of $0.05 per common share payable on March 15, 2013, with a record date of March 1, 2013. The Board of Directors also approved a cash dividend of $0.34375 per Series A Preferred Share payable on April 1, 2013 with a record date of March 15, 2013; and $0.359375 per Series C Preferred Share payable on April 1, 2013 with a record date of March 15, 2013.

Historical Quarterly Information

Canaccord's revenue from an underwriting transaction is recorded only when the transaction has closed. Consequently, the timing of revenue recognition can materially affect Canaccord's quarterly results. The expense structure of Canaccord's operations is designed to provide service and coverage in the current market environment. Canaccord has experienced losses in the past few quarters as a result of a drop in general capital markets activity resulting from uncertainties in the global financial markets.

The following table provides selected quarterly financial information for the eight most recently completed financial quarters ended December 31, 2012. 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.

	Fiscal 2013			Fiscal 2012				Fiscal 2011
(C$ thousands, except per share amounts)	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue								
Canaccord Genuity	**$ 165,447**	$ 118,957	$ 100,457	$ 113,067	$ 93,581	$ 69,452	$ 97,377	$ 163,771
Canaccord Wealth Management	**60,021**	57,639	57,198	54,524	44,571	47,412	54,783	72,704
Corporate and Other	**4,535**	10,003	4,894	10,101	9,737	2,636	7,623	11,120
Total revenue	**$ 230,003**	$ 186,599	$ 162,549	$ 177,692	$ 147,889	$ 119,500	$ 159,783	$ 247,595
Net income (loss)	**10,264**	(14,841)	(20,622)	(31,794)	2,531	(5,278)	13,195	41,323
Earnings (loss) per common share – basic	**$ 0.09**	$ (0.19)	$ (0.24)	$ (0.42)	$ 0.02	$ (0.09)	$ 0.17	$ 0.55
Earnings (loss) per common share – diluted	**$ 0.08**	$ (0.19)	$ (0.24)	$ (0.42)	$ 0.01	$ (0.09)	$ 0.16	$ 0.49

Risks

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

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

The financial services business is subject to extensive regulation in Canada, the US, the UK and Europe, Australia and elsewhere. Compliance with many of the regulations applicable to Canaccord involves a number of risks, particularly in areas where applicable regulations may be subject to interpretation and change. Changing regulations and interpretations could have a significant impact on Canaccord's business and profitability. The Company has a capital management framework to maintain the level of capital that will meet the Company's regulated subsidiaries' target ratios as set out by the respective regulators, to fund current and future operations, to ensure that the firm is able to meet its financial obligations as they come due, and to support the creation of shareholder value. The regulatory bodies that govern the Company's subsidiaries' use of regulatory capital are listed in Note 21 of Canaccord's 2012 Audited Annual Consolidated Financial Statements.

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

Additional Information

A comprehensive discussion of Canaccord's business, strategies, objectives and risks is available in our Annual Information Form and in the Management's Discussion and Analysis and Audited Annual Consolidated Financial Statements included in our 2012 Annual Report, which are available on our website at www.canaccordfinancial.com/EN/IR/FinReports/Pages/default.aspx and on SEDAR at www.sedar.com.

Unaudited Interim Condensed Consolidated Statements of Financial Position

As at (in thousands of Canadian dollars)	Notes	December 31, 2012	March 31, 2012
ASSETS			
Current			
Cash and cash equivalents		$ 555,960	$ 814,238
Securities owned	4	1,453,470	1,171,988
Accounts receivable	6	2,280,064	3,081,640
Income taxes receivable		—	8,301
Total current assets		4,289,494	5,076,167
Deferred tax assets		8,550	3,959
Investments	7	3,276	9,493
Equipment and leasehold improvements		46,613	51,084
Intangible assets	9	136,982	149,510
Goodwill	9	492,286	472,510
		$ 4,977,201	$ 5,762,723
LIABILITIES AND EQUITY			
Current			
Bank indebtedness		$ —	$ 75,141
Short term credit facility	5	—	150,000
Securities sold short	4	1,193,043	914,649
Accounts payable and accrued liabilities	6	2,661,259	3,550,600
Income taxes payable		2,494	—
Provisions	18	20,516	39,666
Subordinated debt		15,000	15,000
Total current liabilities		3,892,312	4,745,056
Contingent consideration	8	14,218	—
Deferred tax liabilities		3,575	8,088
		3,910,105	4,753,144
Equity			
Preferred shares	11	205,641	110,818
Common shares	12	633,087	623,739
Contributed surplus		72,306	68,336
Retained earnings		127,395	180,748
Accumulated other comprehensive income		12,754	8,484
Total shareholders' equity		1,051,183	992,125
Non-controlling interests		15,913	17,454
Total equity		1,067,096	1,009,579
		$ 4,977,201	$ 5,762,723

See accompanying notes

On behalf of the Board:

PAUL D. REYNOLDS
Director

TERRENCE A. LYONS
Director

Unaudited Interim Condensed Consolidated Statements of Operations

		For the three months ended		For the nine months ended	
(in thousands of Canadian dollars, except per share amounts)	Notes	**December 31, 2012**	December 31, 2011	**December 31, 2012**	December 31, 2011
REVENUE					
Commissions and fees		**$ 87,406**	$ 57,380	**$ 263,001**	$ 178,707
Investment banking		**40,459**	32,015	**106,963**	121,672
Advisory fees		**69,348**	38,541	**123,545**	82,736
Principal trading		**18,670**	3,304	**43,626**	3,878
Interest		**7,291**	8,147	**22,441**	23,594
Other		**6,829**	8,502	**19,575**	16,585
		230,003	147,889	**579,151**	427,172
EXPENSES					
Incentive compensation		**114,137**	69,815	**293,427**	209,267
Salaries and benefits		**21,082**	15,009	**65,697**	46,289
Trading costs		**10,419**	7,416	**33,195**	24,123
Premises and equipment		**9,504**	6,633	**31,200**	20,192
Communication and technology		**12,140**	6,744	**37,725**	19,885
Interest		**3,981**	2,361	**11,823**	6,736
General and administrative		**23,809**	16,191	**68,782**	48,728
Amortization		**8,398**	3,906	**24,289**	9,758
Development costs		**6,671**	5,755	**15,811**	16,326
Restructuring costs	18	**6,310**	6,292	**25,172**	6,292
Acquisition-related costs		**431**	2,700	**1,719**	5,656
		216,882	142,822	**608,840**	413,252
Income (loss) before income taxes		**13,121**	5,067	**(29,689)**	13,920
Income taxes (recovery)					
Current		**6,760**	4,703	**4,462**	7,155
Deferred		**(3,903)**	(2,167)	**(8,952)**	(3,683)
	10	**2,857**	2,536	**(4,490)**	3,472
Net income (loss) for the period		**$ 10,264**	$ 2,531	**$ (25,199)**	$ 10,448
Net income (loss) attributable to:					
CFI shareholders		**$ 10,880**	$ 3,026	**$ (23,649)**	$ 10,943
Non-controlling interests		**$ (616)**	$ (495)	**$ (1,550)**	$ (495)
Weighted average number of common shares outstanding (thousands)					
Basic		**92,268**	75,221	**92,040**	74,523
Diluted		**102,454**	83,822	**102,226**	84,331
Net income (loss) per common share					
Basic	12iii	**$ 0.09**	$ 0.02	**$ (0.35)**	$ 0.10
Diluted	12iii	**$ 0.08**	$ 0.01	**$ (0.35)**	$ 0.09
Dividend per common share	13	**$ 0.05**	$ 0.10	**$ 0.15**	$ 0.30
Dividend per Series A Preferred Share	13	**$ 0.34**	$ 0.34	**$ 1.03**	$ 1.06
Dividend per Series C Preferred Share	13	**$ 0.36**	n/a	**$ 1.08**	n/a

See accompanying notes

Unaudited Interim Condensed Consolidated Statements of Comprehensive Income (Loss)

	For the three months ended		For the nine months ended	
(in thousands of Canadian dollars)	**December 31, 2012**	December 31, 2011	**December 31, 2012**	December 31, 2011
Net income (loss) for the period	**$ 10,264**	$ 2,531	**$ (25,199)**	$ 10,448
Other comprehensive income (loss)				
Transfer of net realized gain on disposal of available for sale asset (net of tax: $234)	**—**	—	**(700)**	—
Net change in unrealized gains (losses) on translation of foreign operations	**10,542**	(4,646)	**4,917**	3,024
Comprehensive income (loss) for the period	**$ 20,806**	$ (2,115)	**$ (20,982)**	$ 13,472
Comprehensive income (loss) attributable to:				
CFI shareholders	**$ 21,325**	$ (1,456)	**$ (19,379)**	$ 14,131
Non-controlling interests	**$ (519)**	$ (659)	**$ (1,603)**	$ (659)

See accompanying notes

Unaudited Interim Condensed Consolidated Statements of Changes in Equity

As at and for the nine months ended (in thousands of Canadian dollars)	Notes	December 31, 2012	December 31, 2011
Preferred shares, opening		$ 110,818	$ —
Shares issued, net of share issuance costs	11	97,450	110,818
Shares held in treasury	11	(2,627)	—
Preferred shares, closing		205,641	110,818
Common shares, opening		623,739	467,050
Shares issued in connection with share-based payments		8,639	6,282
Acquisition of common shares for long-term incentive plan		(14,872)	(25,666)
Release of vested common shares from employee benefit trust		16,448	15,255
Cancellation of shares in connection with the acquisition of Genuity Capital Markets		—	(606)
Shares issued in connection with the acquisition of 50% interest in BGF Capital Group Pty Ltd. (BGF)		—	5,739
Shares cancelled		—	(4,215)
Net unvested share purchase loans		(867)	2,456
Common shares, closing		633,087	466,295
Contributed surplus, opening		68,336	52,167
Share-based payments		11,020	3,406
Cancellation of shares in connection with the acquisition of Genuity Capital Markets		—	606
Excess on cancellation of common shares		—	(1,035)
Unvested share purchase loans		(7,050)	(3,587)
Contributed surplus, closing		72,306	51,557
Retained earnings, opening		180,748	238,647
Net (loss) income attributable to CFI shareholders		(23,649)	10,943
Preferred shares dividends	13	(8,832)	(3,708)
Common shares dividends	13	(20,872)	(24,473)
Retained earnings, closing		127,395	221,409
Accumulated other comprehensive income (loss), opening		8,484	(972)
Other comprehensive income attributable to CFI shareholders		4,270	3,188
Accumulated other comprehensive income, closing		12,754	2,216
Total shareholders' equity		1,051,183	852,295
Non-controlling interests, opening		17,454	—
Non-controlling interests of net identifiable assets acquired on acquisition of 50% interest in BGF		—	21,450
Non-controlling interests of deferred tax liability related to the identifiable intangible assets acquired		—	(2,431)
Foreign exchange on non-controlling interests		62	(142)
Comprehensive loss attributable to non-controlling interests		(1,603)	(659)
Non-controlling interests, closing		15,913	18,218
Total equity		$ 1,067,096	$ 870,513

See accompanying notes

Unaudited Interim Condensed Consolidated Statements of Cash Flows

For the nine months ended (in thousands of Canadian dollars)	Notes	December 31, 2012	December 31, 2011
OPERATING ACTIVITIES			
Net (loss) income for the period		$ (25,199)	$ 10,448
Items not affecting cash			
Amortization		24,289	9,758
Deferred income tax recovery		(8,952)	(3,683)
Share-based compensation expense	14	46,747	34,742
Impairment of property, plant and equipment	18	2,582	—
Changes in non-cash working capital			
Increase in securities owned		(282,893)	(151,287)
Decrease in accounts receivable		859,559	621,186
Decrease (increase) in income taxes receivable		1,224	(35,349)
Increase in securities sold short		234,540	229,973
Decrease in accounts payable, accrued liabilities and provisions		(918,425)	(978,921)
Cash used by operating activities		(66,528)	(263,133)
FINANCING ACTIVITIES			
Repayment of short term credit facility		(150,000)	—
Issuance of preferred shares, net of share issuance costs		94,823	110,818
Acquisition of common shares for long-term incentive plan		(14,872)	(25,666)
Cash dividends paid on common shares		(19,646)	(24,049)
Cash dividends paid on preferred shares		(5,835)	(3,254)
Bank indebtedness		(75,141)	(13,580)
Issuance of shares in connection with share-based payments		—	555
Decrease in net vesting of share purchase loans		(13,583)	(13,255)
Cancellation of common shares		—	(5,250)
Cash (used) provided by financing activities		(184,254)	26,319
INVESTING ACTIVITIES			
Acquisition of Eden Financial Ltd. (Eden), net of cash acquired		(5,011)	—
Acquisition of Kenosis Capital Partners		(1,182)	—
Purchase of equipment and leasehold improvements		(3,654)	(9,254)
Acquisition of 50% interest in BGF, net of cash acquired		—	(9,848)
Cash used in investing activities		(9,847)	(19,102)
Effect of foreign exchange on cash balances		2,351	2,762
Decrease in cash position		(258,278)	(253,154)
Cash position, beginning of period		814,238	954,068
Cash position, end of period		$ 555,960	$ 700,914
Supplemental cash flow information			
Interest received		$ 28,788	$ 23,594
Interest paid		$ 10,945	$ 6,404
Income taxes paid		$ 7,504	$ 50,904

See accompanying notes

Notes to Unaudited Interim Condensed Consolidated Financial Statements

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

NOTE 1 Corporate Information

Through its principal subsidiaries, Canaccord Financial Inc. (the Company) is a leading independent, full-service investment dealer in Canada with capital markets operations in the United Kingdom (UK) and Europe, the United States of America (US), Australia, China, Myanmar, Singapore and Barbados. Upon acquisition of Collins Stewart Hawkpoint plc (CSHP), the Company has also expanded its wealth management operations into the UK and Europe. 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 Financial Inc. was incorporated on February 14, 1997 by the filing of a memorandum and articles with the Registrar of Companies for British Columbia under the *Company Act* (British Columbia) and continues in existence under the *Business Corporations Act* (British Columbia). The Company's head office is located at Suite 2200 – 609 Granville Street, Vancouver, British Columbia, V7Y 1H2. The Company's registered office is located at Suite 1000 – 840 Howe Street, Vancouver, British Columbia, V6Z 2M1.

The Company's common shares are publicly traded under the symbol CF on the TSX and the symbol CF. on the main market of the London Stock Exchange. The Company's Series A Preferred Shares are listed on the TSX under the symbol CF.PR.A. The Company's Series C Preferred Shares are listed on the TSX under the symbol CF.PR.C.

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

NOTE 2 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 the 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, 2012 (March 31, 2012 consolidated financial statements) filed on SEDAR on May 23, 2012. All defined terms used herein are consistent with those terms defined in the March 31, 2012 consolidated financial statements.

The unaudited interim condensed consolidated financial statements have been prepared on an accrual basis and are based on the historical cost basis except for investments available for sale and current financial instruments, which have been measured at fair value as set out in the relevant accounting policies.

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

These unaudited interim condensed consolidated financial statements were authorized for issuance by the Company's Board of Directors on February 6, 2013.

PRINCIPLES OF CONSOLIDATION

These unaudited interim condensed consolidated financial statements include the accounts of the Company, its subsidiaries and special purpose entities (SPEs) where the Company controls these entities. The method adopted by the Company to consolidate its subsidiaries and SPEs is described in Note 2 of the March 31, 2012 consolidated financial statements.

USE OF ESTIMATES AND ASSUMPTIONS

The preparation of the unaudited interim condensed consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date. The significant estimates include share-based payments, income taxes, deferred tax assets associated with tax losses available for carryforward, impairment of goodwill, indefinite life intangible assets and other long-lived assets, allowance for credit losses, fair value of financial instruments, and provisions, which are more fully described in Note 2 of the March 31, 2012 consolidated financial statements.

In particular, the assessment for impairment of goodwill and identifiable indefinite life intangible assets requires the use of management's best estimates in order to determine fair values using discounted cash flow projections that employ the following key assumptions: future cash flows, growth projections and discount rates. Due to continuing economic uncertainties, interim impairment tests were performed for goodwill and indefinite life intangible assets for all cash-generating units as of December 31, 2012.

Refer to Note 9 for further information regarding the key assumptions used when conducting the December 31, 2012 interim impairment tests of goodwill and indefinite life intangible assets.

FUTURE ACCOUNTING DEVELOPMENTS

There have been no further updates to the future accounting developments disclosed in Note 3 of the March 31, 2012 consolidated financial statements, during the nine months ended December 31, 2012.

NOTE 3 Summary of Significant Accounting Policies

There were no significant changes in accounting policies, as discussed in Note 5 of the March 31, 2012 consolidated financial statements, during the nine months ended December 31, 2012.

NOTE 4 Securities Owned and Securities Sold Short

	December 31, 2012		March 31, 2012	
	Securities owned	Securities sold short	Securities owned	Securities sold short
Corporate and government debt	$ 1,308,041	$ 1,130,615	$ 949,517	$ 824,466
Equities and convertible debentures	145,429	62,428	222,471	90,183
	$ 1,453,470	$ 1,193,043	$ 1,171,988	$ 914,649

As at December 31, 2012, corporate and government debt maturities ranged from 2013 to 2097 [March 31, 2012 – 2012 to 2096] and bear interest ranging from 0.00% to 15.00% [March 31, 2012 – 0.00% to 13.00%].

NOTE 5 Financial Instruments

A fair value hierarchy is presented below that distinguishes the significance of the inputs used in determining the fair value measurements of various financial instruments. The hierarchy contains the following levels: Level 1 uses quoted (unadjusted) prices in active markets for identical assets and liabilities, Level 2 uses other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly, and Level 3 uses techniques with inputs that have a significant effect on the recorded fair value and that are not based on observable market data. Realized and unrealized gains and losses related to Level 3 assets are recorded in principal trading revenue.

		Estimated fair value		
		December 31, 2012		
	December 31, 2012	Level 1	Level 2	Level 3
Securities owned				
Corporate and government debt	$ 1,308,041	$ 744,607	$ 562,989	$ 445
Equities and convertible debentures	145,429	123,243	5,816	16,370
Securities sold short				
Corporate and government debt	(1,130,615)	(703,395)	(427,220)	—
Equities and convertible debentures	(62,428)	(61,906)	(499)	(23)
Investments	3,276	—	—	3,276

		Estimated fair value		
			March 31, 2012	
	March 31, 2012	Level 1	Level 2	Level 3
Securities owned				
Corporate and government debt	$ 949,517	$ 425,655	$ 520,070	$ 3,792
Equities and convertible debentures	222,471	206,584	6,107	9,780
Securities sold short				
Corporate and government debt	(824,466)	(535,117)	(289,349)	—
Equities and convertible debentures	(90,183)	(89,135)	(1,048)	—
Investments	9,493	—	—	9,493

Movement in Level 3 Financial Assets

March 31, 2012	$ 23,065
Purchases of Level 3 assets during the period	5,656
Net unrealized loss during the period	656
Sales during the period	(9,309)
December 31, 2012	**$ 20,068**

During the nine-month period ended December 31, 2012, the Company did not have any transfers in or out of Level 2 or Level 3 financial assets.

SECURITIES LENDING AND BORROWING

	Cash		Securities	
	Loaned or delivered as collateral	Borrowed or received as collateral	Loaned or delivered as collateral	Borrowed or received as collateral
December 31, 2012	**$ 169,860**	**$ 44,496**	**$ 43,828**	**$ 217,856**
March 31, 2012	120,781	63,856	66,102	122,184

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

SHORT TERM CREDIT FACILITY

The Company entered into a $150.0 million senior secured credit agreement to finance a portion of the cash consideration for its acquisition of CSHP. This credit facility was collateralized by guarantees, securities pledge agreements and mortgages in the UK over the shares of the Company's material subsidiaries. The balance outstanding as of March 31, 2012 was $150.0 million. This short term credit facility bore an interest rate of 3.75% per annum. On April 10, 2012, the net proceeds from the Series C Preferred Shares offering [Note 11] were used to partially repay $97.0 million of the $150.0 million short term credit facility. The balance of the short term credit facility was repaid in full on May 22, 2012.

NOTE 6 Accounts Receivable and Accounts Payable and Accrued Liabilities

ACCOUNTS RECEIVABLE

	December 31, 2012	March 31, 2012
Brokers and investment dealers	**$ 1,501,931**	$ 1,839,332
Clients	**224,599**	616,300
RRSP cash balances held in trust	**465,836**	535,486
Other	**87,698**	90,522
	$ 2,280,064	$ 3,081,640

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2012	March 31, 2012
Brokers and investment dealers	$ 1,604,324	$ 1,963,745
Clients	851,032	1,305,254
Other	205,903	281,601
	$ 2,661,259	$ 3,550,600

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

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

Amounts due from and to clients are due by the settlement date of the trade transaction. Margin loans are due on demand and are collateralized by the assets in the clients' accounts. Interest on margin loans and on amounts due to clients is based on a floating rate [December 31, 2012 – 6.00% to 6.25% and 0.00% to 0.05%, respectively; March 31, 2012 – 6.00% to 6.25% and 0.00% to 0.05%, respectively].

As at December 31, 2012, the allowance for doubtful accounts was $15.3 million [March 31, 2012 – $13.4 million].

NOTE 7 Investments

	December 31, 2012	March 31, 2012
Available for sale	$ 3,276	$ 9,493

The Company invested $5.0 million in a limited partnership as part of its initiative to operate an Alternative Alpha Trading System. During the nine-month period ended December 31, 2012, the Company sold this investment for a net realized gain of $0.9 million as recognized in other revenue.

As a result of the acquisition of CSHP on March 21, 2012, the Company holds an investment in Euroclear, one of the principal clearing houses for securities traded in the Euromarket. The investment is carried at fair value, determined using a market approach.

NOTE 8 Business Combinations

[i] CSHP

On March 21, 2012, the Company acquired 100% of CSHP. The purchase price allocation included in Note 11 to the March 31, 2012 consolidated financial statements was disclosed as preliminary. The purchase price allocation was finalized in the first quarter of fiscal 2013; there were no subsequent amendments to the fair values of consideration paid or net assets acquired. The purchase price allocation did not include an element of contingent consideration. The preliminary allocation of goodwill to the various cash-generating units was finalized during the first quarter of fiscal 2013, with no subsequent amendments.

[ii] KENOSIS CAPITAL PARTNERS

On September 14, 2012, the Company signed an agreement with Kenosis Capital Partners (Kenosis Capital), a merchant bank and advisory group, to acquire certain assets and liabilities for cash consideration of $1.2 million and additional contingent cash consideration based upon the achievement of certain performance criteria. This transaction qualifies as a business combination under IFRS 3, "*Business Combinations*" (IFRS 3), and has been accounted for under the acquisition method. The transaction was completed on September 16, 2012.

The estimated fair value of the liability for contingent consideration is $6.0 million. The contingent consideration has to be settled in cash and meets the definition of a financial liability, and subsequent changes to the fair value of the contingent consideration will be recognized in the statement of operations. The determination of the fair value is based upon discounted cash flows. The key assumption affecting the fair value is the probability that the performance target will be met.

The Company, on a preliminary basis, recorded goodwill of $7.2 million related to this acquisition. This purchase price allocation is considered preliminary at this time. The allocation and the estimate of the contingent consideration referred to above are estimates, which were made by management at the time of the preparation of these unaudited interim condensed consolidated financial statements based on available information. Amendments may be made to these amounts while values subject to estimates are finalized.

The revenue and net income recognized in connection with the assets acquired from Kenosis Capital since the acquisition on September 16, 2012 are not considered material. The Company has recognized $0.4 million of acquisition-related costs incurred by the Company in connection with the Kenosis Capital acquisition.

[iii] EDEN FINANCIAL LTD.

On October 1, 2012, the Company acquired the wealth management business of Eden Financial Ltd. (Eden), an owner-managed private client investment management business, for purchase consideration of $20.3 million (£12.8 million), of which $12.2 million (£7.7 million) was paid on closing and $8.1 million (£5.1 million) is payable after 12 months, contingent on achieving certain performance targets related to revenue. Further incentives of up to $6.3 million (£4.0 million) will be paid to certain continuing Eden employees subject to certain performance conditions, and will be amortized as a development expense over a four-year period. An additional incentive payment of $3.3 million (£2.0 million) has also been awarded to certain Eden employees of which one-half will be amortized as a development expense over a one-year vesting period and one-half will be amortized over a two-year vesting period.

This transaction has been accounted for in accordance with IFRS 3, using the acquisition method. At acquisition date, Eden had $7.2 million of cash on its balance sheet. The Company has recognized $1.3 million of acquisition-related costs incurred by the Company in connection with the Eden acquisition for the nine months ended December 31, 2012. These costs are mainly comprised of professional and consulting fees.

The Company, on a preliminary basis, recorded goodwill of $10.2 million and intangible assets with finite useful lives of $2.4 million related to this acquisition. This purchase price allocation is considered preliminary at this time.

Management has estimated the fair value of the contingent consideration related to this acquisition to be $8.1 million as of December 31, 2012. The contingent consideration has to be settled in cash and meets the definition of a financial liability, and subsequent changes to the fair value of the contingent consideration will be recognized in the statement of operations. The determination of the fair value is based upon discounted cash flows. The key assumption affecting the fair value is the probability that the performance target will be met. These values are estimates, which were made by management at the time of the preparation of these unaudited interim condensed consolidated financial statements based on available information. Amendments may be made to these amounts while values subject to estimates are finalized.

Contributions to revenue and net loss by Eden Financial Ltd. were $2.8 million and $(2.1) million, respectively, since the acquisition date of October 1, 2012.

NOTE 9 Impairment Testing of Goodwill and Identifiable Intangible Assets with Indefinite Lives

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

	Intangible assets with indefinite lives		Goodwill		Total	
	December 31, 2012	March 31, 2012	**December 31, 2012**	March 31, 2012	**December 31, 2012**	March 31, 2012
Canaccord Genuity						
Canada	**$ 44,930**	$ 44,930	**$ 242,074**	$ 242,074	**$ 287,004**	$ 287,004
UK and Europe	**—**	—	**83,533**	82,969	**83,533**	82,969
US	**—**	—	**7,151**	7,169	**7,151**	7,169
Other Foreign Locations (China)	**—**	—	**10,365**	3,183	**10,365**	3,183
Other Foreign Locations (Australia)	**194**	197	**22,792**	22,752	**22,986**	22,949
Other Foreign Locations (Singapore)	**—**	—	**29,069**	28,288	**29,069**	28,288
Canaccord Wealth Management						
UK and Europe	**—**	—	**97,302**	86,075	**97,302**	86,075
	$ 45,124	$ 45,127	**$ 492,286**	$ 472,510	**$ 537,410**	$ 517,637

Goodwill and intangible assets with indefinite lives are tested for impairment annually (as 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 cash-generating unit to which goodwill and indefinite life intangible assets are allocated. Where the carrying amount of a cash-generating unit exceeds its recoverable amount an impairment loss is recognized. Any impairment loss first reduces the carrying amount of any goodwill allocated to the cash-generating unit 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. As at December 31, 2012, the market capitalization of the Company was below the carrying value of its equity, indicating a potential impairment of goodwill. In addition, given ongoing economic uncertainty and the sensitivity of the recoverable amounts of cash-generating units to changes in key assumptions, interim goodwill and indefinite life intangible asset impairment tests were performed at December 31, 2012.

In accordance with IAS 36, the recoverable amounts of the cash-generating units' net assets have been determined using value-in-use calculations, which are based on cash flow assumptions approved by senior management. There is a material degree of uncertainty with respect to the estimates of the recoverable amounts of the cash-generating units' 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 value-in-use calculations are based on assumptions, as described above, made in connection with future cash flows, terminal growth rates and discount rates. In order to estimate the value-in-use for each cash-generating unit (CGU), cash flows are forecast over a five-year period, a terminal growth rate is applied and then such cash flows are discounted to their present value. The discount rate is based on the specific circumstances of each CGU and is derived from the estimated weighted average cost of capital of the Company. The discount rate utilized for each CGU for the purposes of these calculations was 14% [March 31, 2012 – 12.5% to 20%]. Cash flow estimates for each CGU are based on management assumptions as described above and utilize compound annual growth rates ranging from 9% to 16% [March 31, 2012 – 15% to 32%] as well as estimates in respect of operating margins. The compound annual growth rates utilized were: (a) Canaccord Genuity (i) Canada – 10%, (ii) UK and Europe – 10%, (iii) US – 10%, (iv) Other Foreign Locations – 10% to 16%; and (b) Canaccord Wealth Management, UK and Europe – 9%. The terminal growth rate used for each CGU was 5% [March 31, 2012 – 3% to 5%].

Sensitivity testing was conducted as a part of the December 31, 2012 interim impairment test of goodwill and indefinite life intangible assets. The sensitivity testing includes assessing the impact that reasonably possible declines in growth rates and increases in the discount rate would have on the recoverable amount of the CGUs, with other assumptions being held constant.

The Company's impairment testing has determined that the recoverable amount of the Other Foreign Locations (Australia) CGU exceeds its carrying amount by $4.9 million, and consequently, a reasonably possible decline in the growth rate or increase in the discount rate may result in an impairment charge in respect of the goodwill and indefinite life intangible assets allocated to this CGU. An increase of 0.5 percentage points in the discount rate, from 14% to 14.5%, or a reduction in the compound annual growth rate of 2 percentage points, from 16% to 14%, would result in the recoverable amount being equal to the carrying value.

NOTE 10 Income Taxes

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

	For the three months ended		For the nine months ended	
	December 31, 2012	December 31, 2011	**December 31, 2012**	December 31, 2011
Income taxes at the statutory rate (F2013: 25.0%; F2012: 25.8%)	**$ 3,280**	$ 1,303	**$ (7,422)**	$ 3,575
Difference in tax rates in foreign jurisdictions	**(1,134)**	(519)	**(3,964)**	(468)
Non-deductible items affecting the determination of taxable income	**28**	851	**2,866**	2,184
Change in accounting and tax base estimate	**(1,276)**	(42)	**(2,224)**	(1,565)
Change in deferred tax asset – reversal period of temporary difference	**553**	7	**(67)**	(648)
Tax losses and other temporary differences not recognized	**1,406**	936	**6,321**	394
Income tax expense (recovery) – current and deferred	**$ 2,857**	$ 2,536	**$ (4,490)**	$ 3,472

NOTE 11 Preferred Shares

	December 31, 2012		March 31, 2012	
	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	—	—
Series C Preferred Shares held in treasury	(2,627)	(106,794)	—	—
	94,823	3,893,206	—	—
	$ 205,641	8,433,206	$ 110,818	4,540,000

[i] SERIES A PREFERRED SHARES

The Company issued 4,540,000 Cumulative 5-Year Rate Reset First Preferred Shares, Series A (Series A Preferred Shares) at a purchase price of $25.00 per share, for gross proceeds of $113.5 million during the year ended March 31, 2012. Quarterly cumulative cash dividends, if declared, will be paid at an annual rate of 5.5% for the initial five-year period ending on September 30, 2016. Thereafter, the dividend rate will be reset every five years at a rate equal to the five-year Government of Canada bond yield plus 3.21%.

Holders of Series A Preferred Shares have the right, at their option, to convert any or all of their shares into an equal number of Cumulative Floating Rate First Preferred Shares, Series B (Series B Preferred Shares), subject to certain conditions, on September 30, 2016 and on September 30 every five years thereafter. Holders of the Series B Preferred Shares will be entitled to receive floating rate, cumulative, preferential dividends payable quarterly, if declared, at a rate equal to the three-month Government of Canada Treasury Bill yield plus 3.21%.

The Company has the option to redeem the Series A Preferred Shares on September 30, 2016 and on September 30 every five years thereafter, in whole or in part, at $25.00 per share together with all declared and unpaid dividends. The Series B Preferred Shares are redeemable at the Company's option on September 30, 2021 and on September 30 every five years thereafter, in whole or in part, at $25.00 per share together with all declared and unpaid dividends.

[ii] SERIES C PREFERRED SHARES

On April 10, 2012, the Company issued 4,000,000 Cumulative 5-Year Rate Reset First Preferred Shares, Series C (Series C Preferred Shares) at a purchase price of $25.00 per share, for gross proceeds of $100.0 million. Quarterly cumulative cash dividends, if declared, will be paid at an annual rate of 5.75% for the initial five-year period ending on June 30, 2017. Thereafter, the dividend rate will be reset every five years at a rate equal to the five-year Government of Canada bond yield plus 4.03%.

Holders of Series C Preferred Shares have the right, at their option, to convert any or all of their shares into an equal number of Cumulative Floating Rate First Preferred Shares, Series D (Series D Preferred Shares), subject to certain conditions, on June 30, 2017 and on June 30 every five years thereafter. Holders of the Series D Preferred Shares will be entitled to receive floating rate, cumulative, preferential dividends payable quarterly, if declared, at a rate equal to the three-month Government of Canada Treasury Bill yield plus 4.03%.

The Company has the option to redeem the Series C Preferred Shares on June 30, 2017 and on June 30 every five years thereafter, in whole or in part, at $25.00 per share together with all declared and unpaid dividends. The Series D Preferred Shares are redeemable at the Company's option on June 30, 2022 and on June 30 every five years thereafter, in whole or in part, at $25.00 per share together with all declared and unpaid dividends.

The net amount recognized after deducting issue costs, net of deferred taxes of $1.0 million, was $97.5 million. As of December 31, 2012, the Company held 106,794 shares in treasury at par value of $2.6 million.

NOTE 12 Common Shares

	December 31, 2012		March 31, 2012	
	Amount	Number of shares	Amount	Number of shares
Issued and fully paid	$ 713,932	102,512,817	$ 705,293	101,688,721
Unvested share purchase loans	(34,019)	(4,877,981)	(33,152)	(3,209,336)
Held for long-term incentive plan	(46,826)	(5,113,167)	(48,402)	(4,453,508)
	$ 633,087	92,521,669	$ 623,739	94,025,877

[i] AUTHORIZED

Unlimited common shares without par value

[ii] ISSUED AND FULLY PAID

	Number of shares	Amount
Balance, March 31, 2012	101,688,721	$ 705,293
Shares issued in connection with share-based payment plans [note 14]	824,096	8,639
Balance, December 31, 2012	**102,512,817**	**$ 713,932**

In August 2012, the Company filed a notice for a normal course issuer bid (NCIB) to provide for the ability to purchase, at the Company's discretion, up to 3,000,000 of its common shares through the facilities of the TSX from August 13, 2012 to August 12, 2013. The purpose of the purchase of common shares under the NCIB is to enable the Company to acquire shares for cancellation. The shares that may be repurchased represent 2.93% of the Company's common shares outstanding at the time of the notice. There were no shares repurchased through the NCIB between August 31, 2012 and December 31, 2012.

[iii] EARNINGS (LOSS) PER COMMON SHARE

	For the three months ended		For the nine months ended	
	December 31, 2012	December 31, 2011	**December 31, 2012**	December 31, 2011
Basic earnings (loss) per common share				
Net income (loss) attributable to CFI shareholders	**$ 10,880**	$ 3,026	**$ (23,649)**	$ 10,943
Preferred shares dividends	**(2,998)**	(1,818)	**(8,833)**	(3,708)
Net income (loss) available to common shareholders	**7,882**	1,208	**(32,482)**	7,235
Weighted average number of common shares (number)	**92,268,072**	75,220,878	**92,039,724**	74,523,387
Basic earnings (loss) per share	**$ 0.09**	$ 0.02	**$ (0.35)**	$ 0.10
Diluted earnings (loss) per common share				
Net income (loss) available to common shareholders	**7,882**	1,208	**(32,482)**	7,235
Weighted average number of common shares (number)	**92,268,072**	75,220,878	**92,039,724**	74,523,387
Dilutive effect of unvested shares (number)	**4,877,981**	4,931,379	**4,877,981**	4,931,379
Dilutive effect of share options (number)	**—**	27,906	**—**	382,412
Dilutive effect of unvested shares purchased by employee benefit trust (number) [note 14]	**5,300,279**	3,489,591	**5,269,567**	3,825,271
Dilutive effect of share issuance commitment in connection with long-term incentive plan (number) [note 14]	**8,021**	151,946	**38,584**	668,245
Adjusted weighted average number of common shares (number)	**102,454,353**	83,821,700	**102,225,856**	84,330,694
Diluted earnings (loss) per common share	**$ 0.08**	$ 0.01	**$ (0.35)**	$ 0.09

NOTE 13 Dividends

COMMON SHARES DIVIDENDS

The Company declared the following common shares dividends during the nine months ended December 31, 2012:

Record date	Payment date	Cash dividend per common share	Total common dividend amount
June 1, 2012	June 15, 2012	$ 0.10	$ 10,202
August 24, 2012	September 10, 2012	$ 0.05	$ 5,116
November 30, 2012	December 10, 2012	$ 0.05	$ 5,125

On February 6, 2013, the Board of Directors approved a cash dividend of $0.05 per common share payable on March 15, 2013 to common shareholders of record as at March 1, 2013 [Note 19].

PREFERRED SHARES DIVIDENDS

The Company declared the following preferred shares dividends during the nine months ended December 31, 2012:

Record date	Payment date	Cash dividend per Series A Preferred Share	Cash dividend per Series C Preferred Share	Total preferred dividend amount
June 15, 2012	July 3, 2012	$ 0.34375	$ 0.31900	$ 2,837
September 14, 2012	October 1, 2012	$ 0.34375	$ 0.359375	$ 2,998
December 14, 2012	December 31, 2012	$ 0.34375	$ 0.359375	$ 2,998

On February 6, 2013, the Board also approved a cash dividend of $0.34375 per Series A Preferred Share payable on April 1, 2013 to Series A Preferred shareholders of record as at March 15, 2013 [Note 19].

On February 6, 2013, the Board also approved a cash dividend of $0.359375 per Series C Preferred Share payable on April 1, 2013 to Series C Preferred shareholders of record as at March 15, 2013 [Note 19].

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

There were 5,368,768 RSUs [nine months ended December 31, 2011 – 3,613,405 RSUs] granted in lieu of cash compensation to employees during the nine months ended December 31, 2012. The Trust purchased 2,408,168 number of common shares [nine months ended December 31, 2011 – 1,928,065] for the nine months ended December 31, 2012.

The fair value of the RSUs at the measurement date is based on the volume weighted average price at the grant date and is amortized on a graded basis over the vesting period of three years. The weighted average fair value of RSUs granted during the period ended December 31, 2012 was $6.28 [December 31, 2011 – $11.51].

	Number
Awards outstanding, March 31, 2012	7,068,317
Grants	5,368,768
Vested	(2,382,390)
Forfeited	(259,663)
Awards outstanding, December 31, 2012	**9,795,032**

	Number
Common shares held by the Trust, March 31, 2012	4,453,508
Acquired	2,408,168
Released on vesting	(1,748,509)
Common shares held by the Trust, December 31, 2012	**5,113,167**

[ii] CSH INDUCEMENT PLAN

In connection with the acquisition of CSHP, the Company agreed to establish a retention plan for key CSHP staff. During the quarter ended September 30, 2012, the Company finalized the terms of this plan and communicated the plan arrangements to the relevant employees. During the nine-month period ended December 31, 2012, the Company awarded 2,418,861 RSUs, which vest over a five-year period. In accordance with the plan, one-third of the total RSUs (806,302 RSUs) will vest on the third anniversary under the terms of the existing LTIP. The remaining two-thirds of the total RSUs (1,612,559 RSUs) will vest under the terms of the new CSH Inducement Plan, with one-half of the 1,612,559 RSUs vesting on the fourth anniversary and the remaining half on the fifth anniversary. During the three months ended December 31, 2012, 46,288 RSUs were forfeited. On each vesting date, the RSUs entitle the awardee to receive cash or common shares of the Company. If at the vesting date the share price is less than $8.50 per share, then the Company, at its election, will either (a) pay cash to the employee equal to $8.50 multiplied by the number of RSUs vesting on such date, or (b) pay cash to the employee equal to the difference between $8.50 and the vesting date share price, multiplied by the number of RSUs vesting on that date plus that number of shares equal to the number of RSUs vesting on such date.

The awards under this plan require either full or partial cash settlement if the share price at vesting is less than $8.50 per share. To the extent that it is considered probable that cash settlement will be required, a portion of these awards is treated as cash settled, and recorded on the statement of financial position as a liability.

The fair value of the RSUs at the grant date and at December 31, 2012 was $8.50, for a total plan value of $20.2 million, which is being amortized on a graded basis. The expense recognized in connection with the CSH Inducement Plan during the quarter ended December 31, 2012 was $1.4 million.

[iii] SHARE-BASED COMPENSATION EXPENSE

	For the three months ended		For the nine months ended	
	December 31, 2012	December 31, 2011	**December 31, 2012**	December 31, 2011
Share options	**$ 213**	$ 399	**$ 769**	$ 1,161
Long-term incentive plan	**10,532**	6,782	**31,131**	21,552
Forgivable common share purchase loans	**4,357**	3,099	**11,692**	10,005
Deferred share units	**80**	68	**(9)**	185
Retention shares	**905**	1,507	**1,805**	1,839
CSH Inducement Plan	**1,359**	—	**1,359**	—
Total share-based compensation expense	**$ 17,446**	$ 11,855	**$ 46,747**	$ 34,742

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. Commissions and fees income on such transactions in the aggregate is not material in relation to the overall operations of the Company.

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

	December 31, 2012	March 31, 2012
Accounts receivable	**$ 194**	$ —
Accounts payable and accrued liabilities	**6,459**	2,506

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 US, the UK and Europe, and Other Foreign Locations.

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

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

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 related to the business combinations is allocated to the cash-generating units within the Canaccord Genuity and Canaccord Wealth Management segments. The accounting policies of the segments are the same as those described in Note 5 of the March 31, 2012 consolidated financial statements. 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 results are derived from external customers.

	For the three months ended							
	December 31, 2012				December 31, 2011			
	Canaccord Genuity	**Canaccord Wealth Management**	**Corporate and Other**	**Total**	Canaccord Genuity	Canaccord Wealth Management	Corporate and Other	Total
Revenues, excluding interest revenue	**$ 162,702**	**$ 57,138**	**$ 2,872**	**$ 222,712**	$ 91,448	$ 41,145	$ 7,149	$ 139,742
Interest revenue	**2,745**	**2,883**	**1,663**	**7,291**	2,133	3,426	2,588	8,147
Expenses, excluding undernoted	**127,471**	**48,180**	**15,440**	**191,091**	71,112	34,686	16,010	121,808
Amortization	**4,964**	**2,936**	**498**	**8,398**	2,933	513	460	3,906
Development costs	**2,806**	**3,377**	**488**	**6,671**	3,205	1,989	561	5,755
Interest expense	**3,509**	**91**	**381**	**3,981**	1,918	56	387	2,361
Restructuring costs	**5,276**	**1,034**	**—**	**6,310**	1,292	—	5,000	6,292
Acquisition-related costs	**—**	**431**	**—**	**431**	2,700	—	—	2,700
Income (loss) before income taxes	**$ 21,421**	**$ 3,972**	**$ (12,272)**	**$ 13,121**	$ 10,421	$ 7,327	$ (12,681)	$ 5,067

	For the nine months ended							
	December 31, 2012				December 31, 2011			
	Canaccord Genuity	**Canaccord Wealth Management**	**Corporate and Other**	**Total**	Canaccord Genuity	Canaccord Wealth Management	Corporate and Other	Total
Revenues, excluding interest revenue	**$ 377,397**	**$ 165,489**	**$ 13,824**	**$ 556,710**	$ 254,646	$ 136,577	$ 12,355	$ 403,578
Interest revenue	**7,464**	**9,369**	**5,608**	**22,441**	5,764	10,189	7,641	23,594
Expenses, excluding undernoted	**346,143**	**145,039**	**38,844**	**530,026**	209,685	110,196	48,603	368,484
Amortization	**15,838**	**7,186**	**1,265**	**24,289**	6,792	1,708	1,258	9,758
Development costs	**6,989**	**7,338**	**1,484**	**15,811**	8,891	5,946	1,489	16,326
Interest expense	**10,284**	**253**	**1,286**	**11,823**	5,340	238	1,158	6,736
Restructuring costs	**9,671**	**14,601**	**900**	**25,172**	1,292	—	5,000	6,292
Acquisition-related costs	**388**	**1,331**	**—**	**1,719**	4,143	—	1,513	5,656
(Loss) income before income taxes	**$ (4,452)**	**$ (890)**	**$ (24,347)**	**$ (29,689)**	$ 24,267	$ 28,678	$ (39,025)	$ 13,920

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

	For the three months ended		For the nine months ended	
	December 31, 2012	December 31, 2011	**December 31, 2012**	December 31, 2011
Canada	**$ 115,470**	$ 110,444	**$ 272,839**	$ 325,277
UK and Europe	**69,040**	12,748	**177,553**	31,332
United States	**38,195**	18,003	**109,897**	63,784
Other Foreign Locations	**7,298**	6,694	**18,862**	6,779
	$ 230,003	$ 147,889	**$ 579,151**	$ 427,172

NOTE 17 Capital Management

The Company's business requires capital for operating and regulatory purposes, including funding current and future operations. The Company's capital structure is underpinned by shareholders' equity, which is comprised of preferred shares, common shares, contributed surplus, retained earnings and accumulated other comprehensive income, and is further complemented by subordinated debt. The following table summarizes our capital as at December 31, 2012 and March 31, 2012:

Type of capital	**December 31, 2012**	March 31, 2012
Preferred shares	**$ 205,641**	$ 110,818
Common shares	**633,087**	623,739
Contributed surplus	**72,306**	68,336
Retained earnings	**127,395**	180,748
Accumulated other comprehensive income	**12,754**	8,484
Shareholders' equity	**1,051,183**	992,125
Subordinated debt	**15,000**	15,000
	$ 1,066,183	$ 1,007,125

NOTE 18 Provisions and Contingencies

PROVISIONS

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. At each reporting date, the Company assesses the adequacy of its pre-existing provisions and adjusts the amounts as necessary. The following is a summary of the changes during the nine months ended December 31, 2012:

	Legal provisions	Restructuring provisions	Total provisions
Balance, March 31, 2012	$ 12,943	$ 26,723	$ 39,666
Additions	1,182	—	1,182
Utilized	(3)	(22,496)	(22,499)
Balance, June 30, 2012	14,122	4,227	18,349
Additions	2,162	18,862	21,024
Utilized	(3,219)	(13,131)	(16,350)
Recoveries	(2,581)	—	(2,581)
Balance, September 30, 2012	10,484	9,958	20,442
Additions	875	6,310	7,637
Utilized	(455)	(6,632)	(7,539)
Recoveries	(24)	—	(24)
Balance, December 31, 2012	**$ 10,880**	**$ 9,636**	**$ 20,516**

During the nine months ended December 31, 2012, the Company took a number of steps to contain costs and refocus its Canadian operations. This resulted in $15.0 million of restructuring costs in Canada. In the US, in connection with the integration of the US operations of the recently acquired CSHP and the existing Canaccord Genuity US operations, an additional $6.8 million of restructuring costs were recorded. This amount includes $4.0 million of expense related to redundant leasehold properties, consisting of a $2.6 million write-down of leasehold improvements and an estimated $1.4 million onerous lease provision. In the UK, the Company has also accrued $3.3 million of restructuring costs in connection with the reorganization of the UK operations as a result of its recent acquisitions of Eden Financial and CSHP. By segment, the Company recognized $9.7 million in Canaccord Genuity, $14.6 million in the Canaccord Wealth Management segment, and $0.9 million in the Corporate and Other segment.

Commitments, litigation proceedings and contingent liabilities

During the quarter ended December 31, 2012, there were no material changes to the Company's commitments or contingencies aside from those described in the Provisions and Contingencies notes of the March 31, 2012, June 30, 2012 and September 30, 2012 consolidated financial statements.

NOTE 19 Subsequent Event

DIVIDENDS

On February 6, 2013, the Board of Directors approved the following cash dividends: $0.05 per common share payable on March 15, 2013 to common shareholders with a record date of March 1, 2013; $0.34375 per Series A Preferred Share payable on April 1, 2013 with a record date of March 15, 2013; and $0.359375 per Series C Preferred Share payable on April 1, 2013 with a record date of March 15, 2013.

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

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Fiscal 2013 Expected Dividend[(1)] and Earnings Release Dates

	Expected earnings release date	Preferred dividend record date	Preferred dividend payment date	Common dividend record date	Common dividend payment date
Q3/13	February 6, 2013	March 15, 2013	April 1, 2013	March 1, 2013	March 15, 2013
Q4/13	May 21, 2013	June 21, 2013	July 2, 2013	May 31, 2013	June 10, 2013

(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

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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.canaccordfinancial.com

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