Financial Review

CAUTION REGARDING FORWARD-LOOKING STATEMENTS:

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 Genuity Group'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. Disclosure identified as an "Outlook" including the section entitled "Fiscal 2017 Outlook" contains forward looking information. 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 Annual Information Form (AIF) filed on www.sedar.com as well as the factors discussed in the sections entitled "Risk Management" in this MD&A and "Risk Factors" in the AIF, which include market, liquidity, credit, operational, legal and regulatory risks. Material factors or assumptions that were used by the Company to develop the forward-looking information contained in this document include, but are not limited to, those set out in the Fiscal 2017 Outlook section in the annual MD&A and those discussed from time to time in the Company's interim condensed and annual consolidated financial statements and its annual report and AIF filed on www.sedar.com. The preceding list is not exhaustive of all possible risk factors that may influence actual results. Readers are cautioned that the preceding list of material factors or assumptions is not exhaustive.

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

Management's Discussion and Analysis

Fiscal year 2016 ended March 31, 2016 – this document is dated June 1, 2016.

The following discussion of Canaccord Genuity Group Inc.'s financial condition, financial performance and cash flows is provided to enable a reader to assess material changes in the financial condition, financial performance and cash flows for the year ended March 31, 2016 compared to the preceding fiscal year, with an emphasis on the most recent year. Unless otherwise indicated or the context otherwise requires, the "Company" refers to Canaccord Genuity Group Inc. and "Canaccord Genuity Group" refers to the Company and its direct and indirect subsidiaries. "Canaccord Genuity" refers to the investment banking and capital markets segment of the Company. The Management's Discussion and Analysis (MD&A) should be read in conjunction with the audited consolidated financial statements for the years ended March 31, 2016 and 2015, beginning on page 70 of this report. The Company's financial information is expressed in Canadian dollars unless otherwise specified. The Company's consolidated financial statements for the years ended March 31, 2016 and 2015 are prepared in accordance with International Financial Reporting Standards (IFRS).

Non-IFRS Measures

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

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

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

Financial statement items that exclude significant items are non-IFRS measures. Significant items for these purposes include restructuring costs, amortization of intangible assets acquired in connection with a business combination, impairment of goodwill and other assets, 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 36.

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

Business Overview

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

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

ABOUT CANACCORD GENUITY GROUP INC.'S OPERATIONS

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

Canaccord Genuity

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

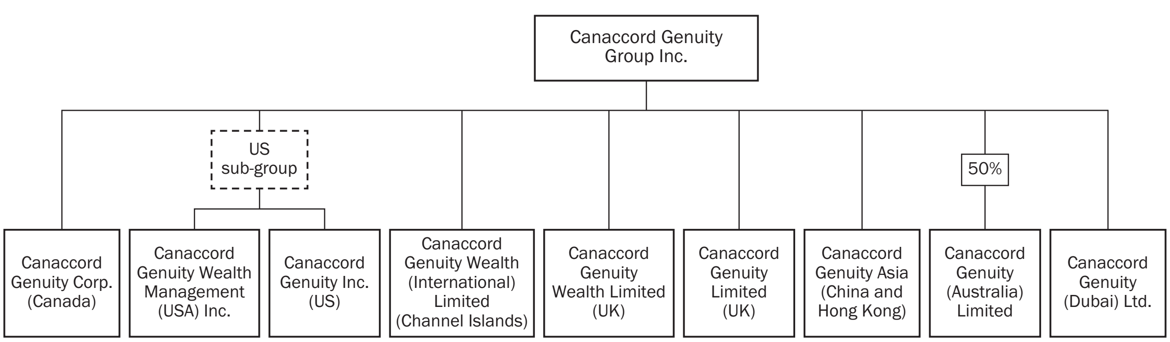
Canaccord Genuity Wealth Management

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

Corporate and Other

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

Corporate structure



The chart shows principal operating companies of Canaccord Genuity Group Inc.

The Company owns 50% of the issued shares of Canaccord Financial Group (Australia) Pty Ltd and Canaccord Genuity (Australia) Limited, but for accounting purposes, as of March 31, 2016 the Company is considered to have a 58% interest because of the shares held in a trust controlled by Canaccord Financial Group (Australia) Pty Ltd [March 31, 2015 – 60%].

BUSINESS ACTIVITY

Our business is subject to the overall condition of the worldwide debt and equity markets. The timing of revenue recognition can also materially affect the Company's quarterly results. The majority of revenue from underwriting and advisory transactions is recorded when the transaction has closed and, as a result, quarterly results can also be affected by the timing of our capital markets business.

The Company has taken steps to reduce its exposure to variances in the equity markets and local economies by diversifying not only its industry sector coverage but also its international scope. Historically, the Company's diversification across major financial centres has allowed it to benefit from strong equity markets.

Market Data

TOTAL FINANCING VALUE BY EXCHANGE

	Q1/16	Q2/16	Q3/16	Q4/16	**Fiscal 2016**	Fiscal 2015	Fiscal 2016/ 2015 change
TSX and TSX Venture (C$ billions)	21.2	9.6	9.6	13.1	**53.5**	60.1	(11.0)%
AIM (£ billions)	1.9	1.2	1.5	0.8	**5.4**	5.0	8.0%
NASDAQ (US$ billions)	32.4	20.8	12.5	10.0	**75.7**	84.4	(10.3)%

Source: TSX Statistics, LSE AIM Statistics, Equidesk

Total financing values on each of the TSX, TSX Venture Exchange, and NASDAQ experienced decreases compared to the previous year.

IMPACT OF CHANGES IN CAPITAL MARKETS ACTIVITY

As a brokerage firm, the Company derives its revenue primarily from sales commissions, underwriting and advisory fees, and trading activity. As a result, the Company's business is materially affected by conditions in the financial marketplace and the economic environment, primarily in North America and Europe, and to some degree Asia and Australia. Canaccord Genuity Group's long term international business development initiatives over the past several years have laid a solid foundation for revenue diversification. A conservative capital strategy allows the Company to remain competitive in today's changing financial landscape.

During fiscal 2016, the Company's capital markets activities were focused on the following sectors: Technology, Healthcare & Life Sciences, Real Estate & Hospitality, Energy, Financials, Consumer & Retail, Metals & Mining, Infrastructure, Media & Telecommunications, Agriculture & Fertilizers, Transportation & Industrials, Paper and Forestry Products, Sustainability, Support Services, Aerospace & Defence and Private Equity. Coverage of these sectors included investment banking, mergers and acquisitions (M&A) and advisory services, and institutional equity activities, such as sales, trading and research.

Key Developments During Fiscal 2016

CORPORATE

- On August 4, 2015, the Company renewed its normal course issuer bid (NCIB), which provides the company the ability to purchase, at its discretion, up to 5,163,737 of its common shares through the facilities of the TSX for cancellation. During fiscal 2016, the company purchased and cancelled 624,350 of its common shares under the terms of its current NCIB
- On September 11, 2015, the appointment of Dan Daviau as President and Chief Executive Officer of Canaccord Genuity Group Inc. was announced effective October 1, 2015. In conjunction with this appointment, Mr. Daviau joined Canaccord Genuity's Board of Directors
- On October 1, 2015, the Company announced enhancements to its executive leadership team and global operating committee, all reporting to Dan Daviau
- On February 11, 2016, the Company announced a planned workforce reduction of 12% of the capital markets and infrastructure staff in Canada, the UK and the US (7% of staff firm-wide)
- On April 1, 2016 the Company announced the completion of its delisting from the London Stock Exchange
- On April 4, 2016, Canaccord Genuity Wealth Management (Canada) and Credit Suisse Asset Management announced an exclusive strategic partnership
- On April 8, 2016, the Company and SAC Capital Private Limited announced the sale of Canaccord Genuity Singapore Limited and a Strategic Partnership Arrangement

CANACCORD GENUITY

- Canaccord Genuity generated revenue of $532.3 million in fiscal 2016
- Net loss before taxes excluding significant items(1) was $10.2 million, a decrease of $54.5 million compared to the prior year
- Canaccord Genuity led 66 transactions globally, each over $1.5 million, to raise total proceeds of C$4.3 billion during fiscal 2016. Of this:
  - Canada led 22 transactions, which raised C$1.4 billion
  - The UK led 11 transactions, which raised C$2.0 billion
  - The US led 9 transactions, which raised C$444.3 million
  - Asia and Australia operations led 24 transactions, which raised C$509.2 million
- During fiscal 2016, Canaccord Genuity participated in a total of 157 transactions globally, each over C$1.5 million, to raise gross proceeds of C$34.8 billion. Of this:
  - Canada participated in 118 transactions, which raised C$23.1 billion
  - The UK participated in 2 transactions, which raised C$4.3 billion
  - The US participated in 36 transactions, which raised C$7.3 billion
  - Asia and Australia operations participated in 1 transaction, which raised C$17.3 million
- Significant investment banking transactions for Canaccord Genuity during fiscal 2016 include:
  - £2.45 billion for Worldpay Group PLC on the LSE
  - £451.0 million underwritten rights issue for Optimal Payments PLC on AIM in relation to its proposed €1.1 billion acquisition of Skrill Group
  - US$531.3 million for Atlassian Corporation PLC on NASDAQ
  - £227.0 million for Playtech PLC on the LSE
  - Two transactions totalling £205.8 million for The Renewables Infrastructure Group Limited on the LSE
  - £200.7 million for Market Tech Holdings Limited on AIM
  - £121 million sell down for Paysafe Group plc on the LSE
  - Three transactions totalling £178.2 million for HICL Infrastructure Company Limited on the LSE
  - C$460.1 million for Pembina Pipeline Corporation on the TSX
  - C$402.5 million for Acasta Enterprises Inc. on the TSX
  - C$250.3 million for Canadian Apartment Properties Real Estate Investment Trust on the TSX
  - US$206.9 million for Atara Biotherapeutics, Inc. on NASDAQ
  - US$155.2 million for ConforMIS, Inc. on NASDAQ
  - US$138.0 million for Penumbra Inc. on the NYSE
  - US$117.2 million for vTv Therapeutics Inc. on NASDAQ
  - US$110.1 million for Hutchison China Medtech on Nasdaq
  - C$250.3 million for Canadian Apartment Properties Real Estate Investment Trust on the TSX
  - C$200.0 million for AltaGas Ltd. on the TSX
  - Two transactions totalling AUD$157.3 million for Orocobre Limited on ASX
  - US$102.0 million for DP Aircraft I Limited on the LSE

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 28.

- In Canada, Canaccord Genuity participated in raising $198.7 million for government and corporate bond issuances during fiscal 2016
- During fiscal 2016, significant M&A and advisory transactions included:
  - Linxens SAS in the €1.5 billion sale to CVC Capital Partners from Astorg Partners
  - Amica Mature Lifestyles Inc. on its C$986 million sale to BayBridge Seniors Housing Inc.
  - Playtech PLC on the €458.0 million acquisition of 91.1% of TradeFX Limited
  - COM DEV International Ltd. on the C$455 million sale of its equipment business to Honeywell International Inc. and the C$125 million spin-out of exactEarth
  - NTR Plc on the €250 million close of its wind investment fund, NTR Wind
  - Kicking Horse Energy Inc. on its C$356 million sale to ORLEN Upstream Canada
  - Distech Controls Inc. on its C$318 million sale to Acuity Brands Inc.
  - LED Linear on its €61 million sale to Fagerhult
  - NYX Gaming Group Limited on its $150 million acquisition of Chartwell Technology Inc. and Cryptologic Limited
  - Harvest International New Energy, Inc., a subsidiary of Sunshine Kaidi New Energy Group Co. of China, on the C$147.0 million acquisition of Alter NRG Corporation
  - Investcorp, through its investment vehicle, Orca Bidco Limited, in the £66.7 million acquisition of OpSec Security Group PLC
  - Ephesus Lighting, Inc. on its sale to Eaton Corporation PLC
  - American Eagle Energy on its sale to Resource Energy Can-AM LLC
  - CalAmp on the US$134 million acquisition of Lojack Corporation
  - CryoLife, Inc. on the US$130 million acquisition of On-X Life Technologies Holdings, Inc.
  - Ashley Park Financial Services Corp. on its cross-border debt financing
  - Charles Bank Capital Partners on their acquisition of Six Degrees Technology Group Limited
  - Shoe Sensation, Inc. on their sale to J.W. Childs Associates, L.P.
  - Bridgepoint Development Capital and shareholders of Siblu Holdings Limited on the sale of Siblu to Stirling Square Capital Partners
  - Data & Audio-Visual Enterprises Wireless Inc., operating as Mobilicity, on its sale to Rogers Communications

WEALTH MANAGEMENT (GLOBAL)

- Globally, Canaccord Genuity Wealth Management generated $252.7 million in revenue during fiscal 2016
- Total assets under administration in Canada and assets under management in the UK & Europe and Australia were $32.7 billion at March 31, 2016(2)

WEALTH MANAGEMENT (NORTH AMERICA)

- Canaccord Genuity Wealth Management (North America) generated $108.2 million in revenue during fiscal 2016
- Net loss before income taxes excluding significant items was $7.5 million(1)
- Assets under administration were $9.2 billion as of March 31, 2016, down 14.3% from $10.7 billion at the end of fiscal 2015(2)
- Assets under management were $1.3 billion as of March 31, 2016, down from $1.6 billion at the end of fiscal 2015(2)
- At March 31, 2016, Canaccord Genuity Wealth Management had 139 Advisory Teams in Canada(3), a decrease of 13 Advisory Teams from March 31, 2015

WEALTH MANAGEMENT (UK & EUROPE)

- Canaccord Genuity Wealth Management (UK & Europe) generated $138.4 million in revenue and, excluding significant items, recorded net income of $23.9 million before taxes in fiscal 2016(1)
- Assets under management (discretionary and non-discretionary) were $22.8 billion (£12.2 billion), an increase of 4.7% from $21.8 billion (£11.6 billion) at the end of fiscal 2015(2)
- At March 31, 2016, Canaccord Genuity Wealth Management had 118 investment professionals and fund managers in the UK & Europe, an increase of four from March 31, 2015

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 28.
(2) See Non-IFRS Measures on page 28.
(3) Advisory teams are normally comprised of one or more 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.

Market Environment During Fiscal 2016

During the first half of fiscal 2016, economic growth conditions in emerging markets (EM) and developed markets (DM) weakened, which led to renewed fears of a global growth slowdown. Negative investor sentiment weighed heavily on risk assets, most notably commodity prices. Global financial markets have also been impacted by the US Federal Reserve, where expectations of a rate hike sent EM currencies sharply lower, forcing many EM central banks to defend their currencies and fight inflation with higher policy rates. The net result was subdued economic growth across most EMs. In China, the stock market experienced a bear market but authorities eventually proved successful in halting the slide of Chinese stocks via monetary and fiscal reflation. In India, the Reserve Bank of India (RBI) also provided stimulus in the region by cutting interest rates by a larger-than-expected 50bps in September, 2015. In all, global monetary conditions remained supportive as central banks accelerated the pace of monetary reflation and the European Central Bank (ECB) pursued its Quantitative Easing (QE) program. The US Federal Reserve Board kept its target rate at zero as global financial conditions tightened significantly. A strong US dollar, weak manufacturing activity, muted wage growth and low commodity prices also contributed to keeping the Fed on the sidelines. In Canada, lower capital spending from commodity producers and persistent trade balance deficits caused the first technical recession since the 2008–09 financial crisis. The Bank of Canada acknowledged the economic weakness in the first half of calendar 2015, and cut its target rate by 25bps in early July.

During the second half of fiscal 2016, the US Federal Reserve lifted its target rate by 25bps for the first time since 2006 on the back of strong employment growth and improved financial market conditions. Although inflation was running below the Fed's 2% objective, Federal Open Market Committee (FOMC) members indicated that most of the factors weighing on consumer prices were seen as transitory. That said, the Federal Reserve also stated that future policy moves would remain data dependent. For the most part, manufacturing activity and corporate earnings were restrained by slow global growth and a strong trade-weighted US dollar. In March, 2016 the European Central Bank (ECB) implemented two additional rate cuts, bringing the deposit facility rate to -0.4%. Following the example of other central banks, the Bank of Japan (BoJ) also adopted a negative interest rate policy (NIRP) in January, 2016. Meanwhile, the Chinese economy is slowly transitioning from a manufacturing-led to a service-based economy. Chinese authorities proceeded with a steady devaluation of the Chinese yuan, a move aimed at stimulating economic growth through exports. In Canada, the election of a Liberal government and its aggressive fiscal-spending agenda could eventually alleviate the negative impact of cutbacks in capital expenditures in the energy and mining sectors. In the meantime, the domestic economy remained constrained by weak energy prices. With OPEC countries fighting for market share against non-OPEC countries (notably US shale producers), excess supply conditions, slow demand growth and a strong US dollar sent crude oil in a downward spiral. Prospects of a natural adjustment of supply and demand conditions along with a possible output freeze by OPEC countries (which did not materialize) contributed to putting a floor under energy and commodity prices in February, 2016. With the rout in oil prices sending inflation expectations to lows last seen during the 2008-09 global financial crisis, heightened global financial stress and sluggish global growth conditions kept the Fed on the sidelines during the fourth quarter of fiscal 2016.

Weak world economic growth and abundant supply hurt commodity prices during fiscal 2016. Crude oil and copper prices dropped 20% respectively while gold prices (+3.9%) benefitted from a lower US dollar (-3.8%), increased market volatility and NIRP operations in Europe and Japan. Unsurprisingly, lower commodity prices negatively impacted the Canadian dollar (-2.4%). In all, Canadian resource stocks (-17.8%) underperformed the market while non-resource cyclicals (-2.5%) and defensive yielders (+1.0%) outperformed the S&P/TSX (-9.4%). Less sensitive to commodity prices, the S&P 500 finished the year flat (-0.4%), US 10-year Treasury bond yields dropped 16bps, while BAA corporate bond yields gained 41bps. Finally, weak commodities pricing was particularly detrimental to the S&P/TSX small-cap index (-8.4%).

Fiscal 2017 Outlook

We believe that the world needs a weak but stable US dollar. For now, expectations toward global growth are stuck around the 3% level which the world economy has oscillated around over the past few years. It has become increasingly difficult for DM central banks to stimulate growth through monetary policies. Using the IMF's new country growth forecasts, we estimate that the contribution of US (12%) and EMs (74%) account for 85% of global GDP growth. Understanding that a strong US dollar correlates negatively with economic activity in these two blocs, we expect that US dollar depreciation should support global growth. With this perspective in mind, we believe that the Fed will remain prudent on its tightening pace. Understanding that the monetary policy toolbox is nearly exhausted in DMs, the burden falls on EM central banks to provide the stimuli. The recent appreciation of EM currencies and disinflation trends bode well, since it now allows central bankers in these countries to implement monetary and fiscal measures to boost growth. As a result, we expect consumption to stay relatively healthy among EMs while manufacturing activity picks up later in the fiscal year on the back of firmer commodity prices.

We expect global manufacturing activity to improve during the second half of fiscal 2017, allowing for a synchronized but modest rebound in DM and EM economies. World growth reacceleration is expected to be a supportive force for equities and commodity prices. The gravitational pull of European and Japanese bond yields as well as lower policy rates in EMs should prevent US bond yields from staging a steep rebound, which is another positive for risk assets. While the US Federal Reserve is expected to gradually normalize interest rates, US labour market conditions, inflation, the US dollar and global financial conditions will likely dictate the pace of the renormalization. In our view, the Fed is unlikely to hike rates until the world economy is strong enough to absorb a stronger US dollar. That being said, if US employment and inflation reports remain strong, we expect this will likely keep the Fed on edge and keep global equity markets volatile. In all, we believe conditions are in place for equity markets to perform better than in fiscal 2016. Canadian equities should continue to perform relative to their world counterparts, considering the large resource exposure in the S&P/TSX. Demand for resource stocks is expected to remain healthy, owing to better EM growth prospects, a relatively weak US dollar and many commodity markets achieving a supply/demand balance through the fiscal year.

With regard to capital markets activities, we expect that a broader global economic recovery should translate into stronger contributions from the various geographical platforms at Canaccord Genuity. More specifically, we believe the recovery in commodity prices and resource equities will lead to improved business opportunities. First, above-average volatility in resource areas is expected to lead to healthy secondary trading agency activity. Second, equity issuance should improve as many resource companies have yet to de-lever their balance sheets. And finally, we expect that buying opportunities for distressed resource assets will stimulate M&A and advisory activities. That said, the uncertainty with regards to the timing and magnitude of the US Federal Reserve's normalization process could lead to several bouts of market volatility through the fiscal year. However, with odds of a recession moderate, liquidity conditions abundant and the world economy expected to improve moderately, risk assets enjoy a more favourable backdrop in fiscal 2017.

OVERVIEW OF PRECEDING YEARS – FISCAL 2015 vs. 2014

Total revenue for the year ended March 31, 2015 (fiscal 2015) was $880.8 million, an increase of $25.5 million or 3.0% compared to the year ended March 31, 2014.

Canaccord Genuity Group recorded a net loss of $11.3 million during fiscal 2015, compared to net income of $52.1 million in fiscal 2014 primarily attributable to certain significant items which included goodwill impairment charges, restructuring costs and the acceleration of outstanding stock awards as a result of the death of our former CEO. Excluding significant items[(1)], net income for fiscal 2015 was $39.3 million, a decrease of $29.5 million compared to fiscal 2014.

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 28.

Financial Overview

SELECTED FINANCIAL INFORMATION[(1)(2)]

(C$ thousands, except per share and % amounts, and number of employees)	2016	2015	2014	2016/2015 change	
	For the years ended March 31				
Canaccord Genuity Group Inc. (CGGI)					
Revenue					
Commissions and fees	$ 376,817	$ 374,058	$ 361,647	$ 2,759	0.7%
Investment banking	134,207	238,517	221,410	(104,310)	(43.7)%
Advisory fees	158,002	151,336	139,142	6,666	4.4%
Principal trading	85,559	75,217	91,313	10,342	13.7%
Interest	16,830	22,212	24,549	(5,382)	(24.2)%
Other	16,390	19,423	17,183	(3,033)	(15.6)%
Total revenue	787,805	880,763	855,244	(92,958)	(10.6)%
Expenses					
Incentive compensation	417,876	455,480	413,289	(37,604)	(8.3)%
Salaries and benefits	92,981	85,770	91,135	7,211	8.4%
Other overhead expenses[(3)]	302,530	305,822	280,746	(3,292)	(1.1)%
Restructuring costs[(4)]	17,352	24,813	5,486	(7,461)	(30.1)%
Impairment of goodwill and other assets[(5)]	321,037	14,535	—	306,502	n.m.
Total expenses	1,151,776	886,420	790,656	265,356	29.9%
(Loss) income before income taxes	(363,971)	(5,657)	64,588	(358,314)	n.m.
Net (loss) income	$ (358,567)	$ (11,318)	$ 52,057	$ (347,249)	n.m.
Net (loss) income attributable to CGGI shareholders	$ (358,471)	$ (13,184)	$ 51,413	$ (345,287)	n.m.
Non-controlling interests	$ (96)	$ 1,866	$ 644	$ (1,962)	(105.1)%
(Loss) earnings per common share (EPS) – basic	$ (4.09)	$ (0.27)	$ 0.42	$ (3.82)	n.m
(Loss) earnings per common share – diluted	$ (4.09)	$ (0.27)	$ 0.39	$ (3.82)	n.m
Return on common equity (ROE)	(50.4)%	(2.9)%	4.4%	(47.5) p.p.	
Dividends per common share	$ 0.10	$ 0.25	$ 0.20	$ (0.15)	
Book value per diluted common share[(6)]	$ 4.99	$ 8.71	$ 9.05	$ (3.72)	
Excluding significant items[(7)]					
Total expenses	$ 793,862	$ 827,458	$ 770,587	$ (33,596)	(4.1)%
(Loss) income before income taxes	$ (6,057)	$ 53,305	$ 84,657	$ (59,362)	(111.4)%
Net (loss) income	$ (5,995)	$ 39,330	$ 68,846	$ (45,325)	(115.2)%
Net (loss) income attributable to CGGI shareholders	$ (6,620)	$ 36,448	$ 67,211	$ (43,068)	(118.2)%
Net income attributable to non-controlling interests	$ 625	$ 2,882	$ 1,635	$ (2,257)	(78.3)%
(Loss) earnings per common share – diluted	$ (0.21)	$ 0.25	$ 0.54	$ (0.46)	(184.0)%
Balance sheet data					
Total assets	$ 3,424,546	$ 4,369,905	$ 5,014,622	$ (945.359)	(21.6)%
Total liabilities	2,665,895	3,242,088	3,831,030	(576,193)	(17.8)%
Non-controlling interests	8,722	10,275	14,912	(1,553)	(15.1)%
Total shareholders' equity	749,929	1,117,542	1,168,680	(367,613)	(32.9)%
Number of employees	1,795	1,928	2,004	(133)	(6.9)%

(1) Data is in accordance with IFRS except for ROE, book value per diluted common share, figures excluding significant items and number of employees. See Non-IFRS Measures on page 28.
(2) The operating results of the Australian operations have been fully consolidated and a 42% non-controlling interest has been recognized for fiscal 2016 [fiscal 2015 – 40% and fiscal 2014 – 50%.]
(3) Consists of trading costs, premises and equipment, communication and technology, interest, general and administrative, amortization of tangible and intangible assets, and development costs.
(4) Restructuring costs for the year ended March 31, 2016 were related to the staff reductions in our US, Canada and UK capital markets operations and the closure of our Barbados office in Other Foreign Locations, as well as charges related to staff reductions and certain executive changes in our Corporate and Other segment. Fiscal 2015 restructuring costs were in connection with certain executive changes in our Corporate and Other segment, the closure of the Geneva office in our UK & European wealth management operations, certain real estate and office closure costs, as well as the reorganization of our Canadian, UK & Europe and US capital markets operations. Fiscal 2014 restructuring costs include expenses mainly in connection with restructuring of our sales and trading operations in Canada and the UK & Europe, and certain office closure costs.
(5) Impairment of goodwill and other assets for the year ended March 31, 2016 was in connection with our UK, US and Canada capital markets and our Other Foreign Locations – Singapore and Australia operations. Impairment of goodwill for the year ended March 31, 2015 is in connection with our Singapore- and China-based operations.
(6) Book value per diluted common share is calculated as total common shareholders' equity divided by the number of diluted common shares outstanding including estimated amounts in respect of share issuance commitments and adjusted for shares purchased under the normal course issuer bid and not yet cancelled, and estimated forfeitures in respect of unvested share awards under share-based payment plans.
(7) Net (loss) income and (loss) earnings per common share excluding significant items reflect tax-effected adjustments related to such items. See the Selected Financial Information Excluding Significant Items table on the next page.
n.m.: not meaningful

SELECTED FINANCIAL INFORMATION EXCLUDING SIGNIFICANT ITEMS[1]

	For the years ended March 31				
(C$ thousands, except per share and % amounts)	**2016**	2015	2014	2016/2015 change	
Total revenue per IFRS	**$ 787,805**	$ 880,763	$ 855,244	$ (92,958)	(10.6)%
Total expenses per IFRS	**1,151,776**	886,420	790,656	265,356	29.9%
Significant items recorded in Canaccord Genuity					
Amortization of intangible assets	**5,409**	6,823	6,742	(1,414)	(20.7)%
Impairment of goodwill and other assets	**321,037**	14,535	—	306,502	n.m.
Restructuring costs	**11,305**	20,997	5,486	(9,692)	(46.2)%
Development costs	**1,157**	—	—	1,157	n.m.
Significant items recorded in Canaccord Genuity Wealth Management					
Amortization of intangible assets	**6,055**	7,591	7,841	(1,536)	(20.2)%
Restructuring costs	**165**	783	—	(618)	(78.9)%
Significant items recorded in Corporate and Other					
Restructuring costs	**5,882**	3,033	—	2,849	93.9%
Development costs	**6,904**	5,200	—	1,704	32.7%
Total significant items	**357,914**	58,962	20,069	298,952	n.m.
Total expenses excluding significant items	**793,862**	827,458	770,587	(33,596)	(4.1)%
Net (loss) income before income taxes – adjusted	**$ (6,057)**	$ 53,305	$ 84,657	$ (59,362)	(111.4)%
Income tax (recovery) expense – adjusted	**(62)**	13,975	15,811	(14,037)	(100.4)%
Net (loss) income – adjusted	**$ (5,995)**	$ 39,330	$ 68,846	$ (45,325)	(115.2)%
(Loss) earnings per common share – basic, adjusted	**$ (0.21)**	$ 0.27	$ 0.59	(0.48)	(177.8)%
(Loss) earnings per common share – diluted, adjusted	**(0.21)**	$ 0.25	$ 0.54	(0.46)	(184.0)%

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 28.
n.m.: not meaningful

FOREIGN EXCHANGE

Revenues and expenses from our foreign operations are initially recorded in their respective functional currencies and translated into Canadian dollars at exchange rates prevailing during the period. The pound sterling and the US dollar appreciated against the Canadian dollar by approximately 7.0% and 14.3% respectively in fiscal 2016 when compared to fiscal 2015. This appreciation contributed to certain increases in revenue and expense items in Canadian dollars when compared to the applicable prior periods and should be considered when reviewing the following discussion in respect of our consolidated results as well as the discussion in respect of Canaccord Genuity and Canaccord Genuity Wealth Management UK & Europe.

GOODWILL

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

Due to the combined effect of weak equity market conditions globally and in each of the principal operating regions for each of the Company's capital markets business units, those business units experienced declines in business activity, revenue and profitability. With these adverse changes in the business environment, continued weakness in commodity prices and a challenging outlook through calendar 2016 as negative economic conditions persist, it was determined that the carrying value in each of the capital markets business units exceeded its fair value as determined in accordance with applicable accounting standards. Such standards require that fair value represent an estimate of the price at which an asset or a liability would be sold or transferred in an orderly transaction between market participants as at the end of the reporting period under market conditions as at that date (i.e., an exit price as at the measurement date). As a result, in Q3 fiscal 2016 the Company determined that the carrying amount of each of the capital markets business units exceeded the Company's estimates of its recoverable amount and that there had been impairment in the goodwill in respect of each of these business units. As a result, the Company recorded impairment charges in respect of the goodwill allocated to the following Canaccord Genuity business units: (i) Canada – $150.0 million; (ii) UK & Europe – $106.9 million; (iii) US – $10.0 million; (iv) Other Foreign Locations – Australia – $22.1 million; and (v) Other Foreign Locations – Singapore – $24.3 million. In addition, the Company recorded impairment charges related to the unamortized intangible assets of $1.6 million and $0.2 million allocated to Other Foreign Locations – Singapore and Other Foreign Locations – Australia, respectively. During the year ended March 31, 2016, the Company also recorded an impairment charge related to equipment and leasehold improvements of $6.0 million in our US capital markets operations.

Utilizing management's preliminary estimates for revenue and operating performance, growth rates and other assumptions typically required in connection with discounted cash flow models the Company determined that there was no impairment in the goodwill and indefinite life intangible assets associated with any of its wealth management business units in the UK & Europe. Notwithstanding this determination as of March 31, 2016, the continuing uncertainty in the economic environment may cause this determination to change. If the business climate remains uncertain and the Company is unable to achieve its internal forecasts the Company may determine that there has been impairment and the Company may be required to record a goodwill impairment charge in future periods in respect of the Canaccord Genuity Wealth Management business units in the UK & Europe or in respect of the remaining goodwill recorded in Canaccord Genuity Canada. Adverse changes in the key assumptions utilized for purposes of impairment testing for goodwill and indefinite life intangible assets may result in the estimated recoverable amount of some or all of the applicable business units declining below the carrying value with the result that impairment charges may be required. The amount of any impairment charge would affect some or all of the amounts recorded for goodwill and indefinite life intangible assets. Any such impairment charges would be determined after incorporating the effect of any changes in key assumptions including any consequential effects of such changes on estimated operating income and on other factors.

REVENUE

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 fiscal 2016 was $787.8 million, a decrease of 10.6% or $93.0 million from fiscal 2015 mainly driven by a decline in investment banking revenue across all geographies. Our capital markets operations experienced a decrease of $80.8 million or 13.2% compared to the prior year. Revenue in our wealth management operations in Canada decreased by $17.1 million or 13.7% in fiscal 2016 compared to fiscal 2015. Our Corporate and Other segment contributed $7.8 million to the overall decrease in revenue. Revenue in our wealth management operations in the UK & Europe increased by $12.8 million or 10.2% compared to the year ended March 31, 2015.

Commissions and fees revenue is primarily generated from private client trading activity and institutional sales and trading. Revenue generated from commissions and fees increased by $2.8 million or 0.7% from fiscal 2015 to $376.8 million in fiscal 2016. Our UK & Europe wealth management operations and US capital markets operations contributed $12.9 million and $4.9 million, respectively, to the increase, offset by decreases in commissions and fees revenue in the other operations.

As a result of weakened market conditions, revenue generated from investment banking activities decreased by $104.3 million to $134.2 million in fiscal 2016, compared to $238.5 million in fiscal 2015. Investment banking revenue decreased across all geographies but most notably in our Canadian capital markets operations which decreased by $57.4 million year over year. In addition to reduced financing activity, the completion of the Amaya Gaming transaction in Q2/15 was a significant contributor to investment banking revenue in our Canadian operations during fiscal 2015, causing the comparative period to be significantly higher relative to the current fiscal period.

Advisory fees revenue of $158.0 million represented an increase of 4.4%, or $6.7 million, compared to the prior year. This was primarily due to higher activity in our capital markets operations in the US, where advisory fees increased by $11.2 million as a greater number of transactions were completed during fiscal 2016 compared to the prior year. The largest decrease was in our Canadian capital market operations, which experienced a decline of $4.4 million, mostly as a result of reduced corporate activity.

Revenue derived from principal trading increased by $10.3 million to $85.6 million for the year ended March 31, 2016, primarily due to higher revenue earned by the International Equities Group in our US capital markets operations. The increase in principal trading revenue in the US was offset by decreases of $2.3 million and $1.2 million in our Canadian capital markets and UK & Europe capital markets operations, respectively. In addition, a $4.0 million loss was recorded in our Corporate & Other segment in connection with an impairment charge related to our investment in Canadian First Financial Group Inc.

Interest revenue decreased by $5.4 million compared to fiscal 2016, mostly as a result of a decrease experienced in our Canadian capital markets operations. Other revenue of $16.4 million was $3.0 million or 15.6% lower than in the year ended March 31, 2015, partially due to lower foreign exchange gains.

EXPENSES

Expenses as a percentage of revenue

	For the years ended March 31		
	2016	2015	2016/2015 change
Incentive compensation	**53.0%**	51.7%	1.3 p.p.
Salaries and benefits	**11.8%**	9.8%	2.0 p.p.
Other overhead expenses(1)	**38.4%**	34.7%	3.7 p.p.
Restructuring costs(2)(3)	**2.2%**	2.8%	(0.6) p.p.
Impairment of goodwill and other assets(4)	**40.8%**	1.6%	39.2 p.p.
Total	**146.2%**	100.6%	45.6 p.p.

(1) Consists of trading costs, premises and equipment, communication and technology, interest, general and administrative, amortization of tangible and intangible assets and development costs.
(2) Refer to the Selected Financial Information Excluding Significant Items table on page 36.

(3) Restructuring costs for the year ended March 31, 2016 were related to staff reductions in our US, Canada and UK capital markets operations and the closure of our Barbados office in Other Foreign Locations, as well as charges related to staff reductions and certain executive changes in our Corporate and Other segment. Fiscal 2015 restructuring costs were in connection with certain executive changes in our Corporate and Other segment, the closure of the Geneva office in our UK & European wealth management operations, certain real estate and office closure costs, as well as the reorganization of our Canadian, UK & Europe and US capital markets operations.
(4) Impairment of goodwill and other assets for the year ended March 31, 2016 is in connection with our UK, US and Canada capital markets and our Other Foreign Locations – Singapore and Australia operations. Impairment of goodwill for the year ended March 31, 2015 is in connection with our Singapore- and China-based operations.
p.p.: percentage points

Expenses for fiscal 2016 were $1.2 billion, an increase of 29.9% or $265.4 million compared to the last fiscal year. Excluding significant items(1), total expenses were $793.9 million, down $33.6 million or 4.1% from fiscal 2015. As a result of the decrease in revenue during the year and the non-variable nature of certain infrastructure and overhead costs, total expenses excluding significant items(1) as a percentage of revenue increased by 6.8 percentage points compared to the year ended March 31, 2015.

Compensation expenses

Incentive compensation expense was $417.9 million, a decrease of $37.6 million or 8.3% from the prior year, partially as a result of the 10.6% decline in incentive-based revenue. Incentive compensation as a percentage of total revenue increased by 1.3 percentage points to 53.0% in fiscal 2016 compared to fiscal 2015. The increase was mainly related to adjustments to certain compensation pools recorded in the year ended March 31, 2016. With weaker market conditions, certain incentive compensation pools as recorded under our normal methodology were determined to be lower than would be required to provide necessary compensation to select key production staff, and as a result of adjustments to these pools our compensation expense as a percentage of revenue was higher than in previous fiscal years. Salaries and benefits expense of $93.0 million for the year ended March 31, 2016 was $7.2 million or 8.4% higher than in the prior fiscal year, mainly as a result of capitalized employment costs incurred in connection with systems and software development in our UK & Europe wealth management operations during fiscal 2015 being treated as an operating expense in fiscal 2016. For these reasons, total compensation (incentive compensation plus salaries and benefits) expense as a percentage of total revenue was 64.8%, up 3.3 percentage points compared to 61.5% in fiscal 2015.

OTHER OVERHEAD EXPENSES

	For the years ended March 31		
(C$ thousands, except % amounts)	2016	2015	2016/2015 change
Trading costs	$ 56,998	$ 52,795	8.0%
Premises and equipment	40,863	40,281	1.4%
Communication and technology	55,975	51,758	8.1%
Interest	10,222	13,424	(23.9)%
General and administrative	87,004	94,688	(8.1)%
Amortization(1)	25,339	28,428	(10.9)%
Development costs	26,129	24,448	6.9%
Total other overhead expenses	$ 302,530	$ 305,822	(1.1)%

(1) Includes $11.5 million and $14.4 million of amortization of intangible assets for the years ended March 31, 2016 and March 31, 2015, respectively. See the Selected Financial Information Excluding Significant Items table on page 36.

Other overhead expenses were $3.3 million or 1.1% lower in fiscal 2016, which as a percentage of revenue represented an increase of 3.7 percentage points compared to fiscal 2015. The overall decrease in other overhead expenses was driven by lower general and administrative expense, amortization and interest expense, offset by an increase in trading costs, development costs and communication and technology expense.

General and administrative expense, which includes reserves, promotion and travel expense, office expense, professional fees and donations, was down $7.7 million across most of our operating segments as a result of reduced activity and a focus on cost reductions. Our US capital markets operations recorded a $1.4 million increase in general and administrative expense in fiscal 2016 compared to the prior year, mostly due to higher promotion and travel expense as well as increased regulatory settlement costs.

Amortization expense decreased by $3.1 million or 10.9% compared to the prior fiscal year, partially due to a decrease in amortization of intangible assets in our Canadian capital markets operations. Interest expense decreased by $3.2 million compared to the year ended March 31, 2015, primarily as a result of lower expenses in our Canadian and US capital markets operations.

Development costs increased by $1.7 million compared to the year ended March 31, 2015, mainly due to a non-cash accounting charge resulting from the surrender of a long-term incentive award granted to our new CEO in conjunction with his appointment during fiscal 2016. The accounting charge related to the unamortized balance of this award as of March 31, 2016 in accordance with applicable accounting standards. In addition, during fiscal 2016, a charge of $2.3 million was recorded as a development expense in connection with a software development project and the change to an alternative solution. In fiscal 2015, development

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 28.

costs included a $5.2 million charge related to the accelerated recognition of the unamortized cost of stock-based compensation awards which were held by our former CEO as a result of his death at the end of fiscal 2015.

Higher trading costs in our International Equities Group in the US were the main reason for the $4.2 million increase in trading costs in fiscal 2016 compared to the year ended March 31, 2015. Communication and technology expense increased by $4.2 million, primarily as a result of increases recorded in the US capital markets operations and the UK & Europe capital markets and wealth management operations.

During the year ended March 31, 2016, the Company also recognized restructuring costs of $17.4 million. The restructuring costs incurred in fiscal 2016 were related to staff reductions in our US, UK and Canadian capital market operations and the closure of our office in Barbados, as well as staff reductions and certain executive changes in our Corporate and Other operating segment. The restructuring costs of $24.8 million incurred in fiscal 2015 were in connection with certain executive changes in our Corporate and Other segment, the closure of the Geneva office in our UK & Europe wealth management operations, as well as costs associated with the reorganization of the Canadian, UK & Europe and US capital markets operations.

During fiscal 2016, as a result of operating losses, reduced business activity, declines in revenue and reduced revenue forecasts, the Company recorded impairment charges in respect of the goodwill allocated to the following capital markets operations: (i) Canada – $150.0 million; (ii) UK & Europe – $106.9 million; (iii) US – $10.0 million; (iv) Other Foreign Locations – Australia – $22.1 million; and (v) Other Foreign Locations – Singapore – $24.3 million. In addition, the Company recorded impairment charges related to the unamortized intangible assets of $1.6 million and $0.2 million allocated to Other Foreign Locations – Singapore and Other Foreign Locations – Australia, respectively. In fiscal 2016, the Company also recorded an impairment charge related to equipment and leasehold improvements of $6.0 million in our US capital markets operations.

For the year ended March 31, 2015, an impairment charge of $14.5 million was recorded in respect of the goodwill allocated to Other Foreign Locations – China and Singapore.

During the second half of the fiscal year, the Company took steps to rationalize its global infrastructure and exit underperforming business lines to significantly reduce our fixed cost base and stabilize the business for the future. While these developments had a negative impact on fiscal 2016 results, the Company expects to realize cost savings in the next fiscal year as cost saving initiatives identified during fiscal 2016 are implemented.

NET LOSS

Net loss for fiscal 2016 was $358.6 million compared to a net loss of $11.3 million in fiscal 2015, an increase in losses of $347.2 million, largely related to the goodwill and other assets impairment charges, restructuring costs and a significant decline in revenue. Loss per common share was $4.09 in fiscal 2016 compared to a loss per common share of $0.27 in the prior fiscal year. Excluding significant items(1), net loss for fiscal 2016 was $6.0 million compared to net income of $39.3 million in fiscal 2015, and loss per common share was $0.21 compared to diluted earnings per share (EPS) of $0.25 in fiscal 2015.

Income tax recovery was $5.4 million for fiscal 2016, reflecting an effective tax rate of 1.5% compared to an effective tax rate of 100.1% in the prior year. The change in the effective tax rate was mainly due to higher non-deductible items affecting the determination of taxable income, as well as tax losses and other temporary differences not recognized in current and prior periods by certain subsidiaries outside of Canada. A further discussion of our taxes is provided in the Critical Accounting Policies and Estimates section of the MD&A on page 60.

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 28.

Quarterly Financial Information[1][2]

The following table provides selected quarterly financial information for the eight most recently completed financial quarters ended March 31, 2016. This information is unaudited, but reflects all adjustments of a recurring nature that are, in the opinion of management, necessary to present a fair statement of the results of operations for the periods. Quarter-to-quarter comparisons of financial results are not necessarily meaningful and should not be relied upon as an indication of future performance.

(C$ thousands, except per share amounts)	Q4	Q3	Q2	Fiscal 2016 Q1	Q4	Q3	Q2	Fiscal 2015 Q1
Revenue								
Commissions and fees	$ 97,915	$ 95,014	$ 89,182	$ 94,706	$ 100,869	$ 92,123	$ 86,240	$ 94,826
Investment banking	16,898	20,406	31,490	65,413	57,255	27,601	66,289	87,372
Advisory fees	54,616	37,809	43,912	21,665	40,283	22,618	55,741	32,694
Principal trading	25,199	20,202	17,592	22,566	22,621	14,612	17,708	20,276
Interest	3,441	3,981	4,334	5,074	4,961	5,045	5,902	6,304
Other	2,843	4,425	4,092	5,030	6,476	4,472	4,391	4,084
Total revenue	200,912	181,837	190,602	214,454	232,465	166,471	236,271	245,556
Total expenses	228,210	532,456	189,103	202,007	260,835	191,991	211,326	222,268
Net (loss) income before income taxes	(27,298)	(350,619)	1,499	12,447	(28,370)	(25,520)	24,945	23,288
Net (loss) income	$ (22,709)	$(346,388)	$ (431)	$ 10,961	$ (26,322)	$ (21,479)	$ 17,614	$ 18,869
(Loss) earnings per share – basic	$ (0.29)	$ (3.91)	$ (0.03)	$ 0.08	$ (0.33)	$ (0.27)	$ 0.16	$ 0.16
(Loss) earnings per share – diluted	$ (0.29)	$ (3.91)	$ (0.03)	$ 0.08	$ (0.33)	$ (0.27)	$ 0.14	$ 0.15
Excluding significant items[3]								
Net (loss) income	$ (2,113)	$ (19,144)	$ 1,943	$ 13,319	$ 8,820	$ (14,253)	$ 20,746	$ 24,017
(Loss) earnings per share – basic	$ (0.06)	$ (0.25)	$ (0.01)	$ 0.10	$ 0.05	$ (0.19)	$ 0.19	$ 0.22
(Loss) earnings per share – diluted	$ (0.06)	$ (0.25)	$ (0.01)	$ 0.10	$ 0.05	$ (0.19)	$ 0.17	$ 0.20

(1) Data is in accordance with IFRS except for figures excluding significant items. See Non-IFRS Measures on page 28.
(2) The operating results of our Australian operations have been fully consolidated and a 42% non-controlling interest has been recognized during fiscal 2016 [fiscal 2015 – 40%].
(3) Figures excluding significant items are non-IFRS measures. See the Quarterly Financial Information Excluding Significant Items table on the next page.

QUARTERLY FINANCIAL INFORMATION EXCLUDING SIGNIFICANT ITEMS(1)(2)

(C$ thousands, except per share amounts)	Fiscal 2016 Q4	Fiscal 2016 Q3	Fiscal 2016 Q2	Fiscal 2016 Q1	Fiscal 2015 Q4	Fiscal 2015 Q3	Fiscal 2015 Q2	Fiscal 2015 Q1
Total revenue per IFRS	$ 200,912	$ 181,837	$ 190,602	$ 214,454	$ 232,465	$ 166,471	$ 236,271	$ 245,556
Total expenses per IFRS	228,210	532,456	189,103	202,007	260,835	191,991	211,326	222,268
Significant items recorded in Canaccord Genuity								
Restructuring costs	8,328	2,977	—	—	20,997	—	—	—
Amortization of intangible assets	1,346	1,333	1,320	1,410	1,691	1,684	1,707	1,741
Impairment of goodwill and other assets	—	321,037	—	—	10,000	4,535	—	—
Development costs	1,157	—	—	—				
Significant items recorded in Canaccord Genuity Wealth Management								
Restructuring costs	165	—	—	—	—	—	—	783
Amortization of intangible assets	1,471	1,560	1,557	1,467	1,467	1,660	2,224	2,240
Significant items recorded in Corporate and Other								
Restructuring costs	4,582	1,300	—	—	1,433	—	—	1,600
Development costs	6,904	—	—	—	5,200	—	—	—
Total significant items	23,953	328,207	2,877	2,877	40,788	7,879	3,931	6,364
Total expenses excluding significant items	204,257	204,249	186,226	199,130	220,047	184,112	207,395	215,904
Net (loss) income before income taxes – adjusted	(3,345)	(22,412)	4,376	15,324	12,418	(17,641)	28,876	29,652
Income tax (recovery) expense – adjusted	(1,232)	(3,268)	2,433	2,005	3,598	(3,388)	8,130	5,635
Net income (loss) – adjusted	$ (2,113)	$ (19,144)	$ 1,943	$ 13,319	$ 8,820	$ (14,253)	$ 20,746	$ 24,017
(Loss) earnings per share – basic – adjusted	$ (0.06)	$ (0.25)	$ (0.01)	$ 0.10	$ 0.05	$ (0.19)	$ 0.19	$ 0.22
(Loss) earnings per share – diluted – adjusted	$ (0.06)	$ (0.25)	$ (0.01)	$ 0.10	$ 0.05	$ (0.19)	$ 0.17	$ 0.20

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 28.
(2) The operating results of our Australian operations have been fully consolidated and a 42% non-controlling interest has been recognized during fiscal 2016 [fiscal 2015 – 40%].

Quarterly trends and risks

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

During fiscal 2016, our revenue was negatively impacted by the decline in market conditions throughout the different geographic regions. The Canaccord Genuity division, which was affected by the decline in market conditions, particularly in the second and third quarters of fiscal 2016, experienced an increase in revenue during Q4/16 of 13.5% compared to Q3/16. Revenue in our Canadian capital markets operations increased by 17.8% in Q4/16 compared to the previous quarter but decreased by 19.0% compared to Q4/15. Our UK & Europe capital markets operations continued to be negatively impacted by the market downturn, particularly in the second half of fiscal 2016. UK & Europe capital markets revenue in Q4/16 increased by 10.9% compared to Q3/16 but decreased by 15.7% compared to the same quarter in the last fiscal year. Operating profits during Q3/16 and Q4/16 in both our Canadian and UK operations have been negatively impacted by certain adjustments made to the compensation pools, as discussed previously.

Revenue in our US capital markets operations decreased slightly, by 2.2%, compared to Q4/15. The operating profits for the US operations in recent quarters have been impacted by additional costs resulting from certain growth initiatives including the expansion of the fixed income business. Restructuring efforts in fiscal 2015 and fiscal 2016 substantially reduced the US fixed income activity. During the year ended March 31, 2016, operating profits of the US operations have been negatively impacted by higher trading costs in relation to the International Equities Group trading activities, higher expenses related to a regulatory settlement, and restructuring costs.

As a result of a decline in market activity, revenues in our Other Foreign Locations operations decreased in fiscal 2016 compared to fiscal 2015. Revenue decreased by 26.9% in the fourth quarter of 2016 compared to the fourth quarter of 2015 but increased by 43.1% from the third quarter of 2016.

Our Canaccord Genuity Wealth Management North America operations have also been negatively impacted by the weakened market conditions, with a decrease of 22.8% in revenue during Q4/16 compared to the same period a year ago and consistent with Q3/16. Assets under management also declined in Q4/16, decreasing by 19.5% compared to Q4/15 to $1.3 billion as a result of lower market values and a reduced number of investment advisory teams. Cost containment efforts in these operations have been maintained, with expenses decreasing by 21.7% compared to Q4/15 and our fee-related revenue increasing over the course of fiscal 2016, reaching 45.7% in Q4/16.

The Canaccord Genuity Wealth Management UK & Europe operations continued to experience steady revenue during fiscal 2016, generating approximately $35.0 million per quarter during fiscal 2016. At the end of Q4/16, fee-related revenue was at 70.8%, a 6.2 percentage point increase from Q4/15. Assets under management for this group increased by $1.0 billion reaching $22.8 billion as of the end of Q4/16, compared to $21.8 billion at the end of Q4/15.

The movement in revenue in the Corporate and Other segment was mainly due to foreign exchange gains or losses resulting from fluctuations in the Canadian dollar. The impairment charge related to our investment in Canadian First Financial Group Inc. and a software development charge also contributed to the loss in Q3/16.

Fourth quarter 2016 performance

Revenue for the fourth quarter was $200.9 million, a decrease of $31.6 million or 13.6% compared to the same period in the previous year, mainly due to a decline in investment banking revenue offset by an increase in advisory fees. The decrease in investment banking revenue of $40.4 million compared to Q4/15 was attributable to lower activity across all our operations due to a decline in market conditions. Advisory fees revenue increased by $14.3 million from Q4/15, predominantly due to an increase of $8.5 million in our Canadian capital markets operations.

Commission and fees revenue decreased by $3.0 million, predominantly in our Canadian wealth management operations. Interest revenue for Q4/16 was $3.4 million, a decrease of $1.5 million over Q4/15, mainly attributable to our Canadian capital markets operations. Other revenue decreased by $3.6 million compared to the same period in the prior year, partially due to lower foreign exchange gains recorded in our Corporate and Other segment. Principal trading revenue increased by $2.6 million during the three months ended March 31, 2016 compared to same period last year, mostly due to higher revenue generated in our US operations offset by a decrease in our UK & Europe operations.

Expenses were $228.2 million, down $32.6 million or 12.5% from Q4/15. Total expenses excluding significant items[(1)] were $204.3 million, a decrease of $15.8 million or 7.2% from the same period last year. The decrease in total expenses excluding significant items[(1)] was largely attributable to lower general and administrative expense compared to Q4/15. General and administrative expense was $3.8 million lower for the three months ended March 31, 2016 than in the same period in the prior year due to lower promotion and travel expense and professional fees as a result of cost reductions and reduced activity.

Development costs increased by $3.4 million compared to the year ended March 31, 2015, mainly due to a non-cash accounting charge related to the surrender of a long-term incentive award granted in October 2015 to the Company's CEO in conjunction with his appointment on October 1, 2015. The accounting charge related to the unamortized balance of this award as of March 31, 2016 in accordance with applicable accounting standards. In fiscal 2015, development costs included a $5.2 million charge related to the accelerated recognition of the unamortized cost of stock-based compensation awards which were held by our former CEO as a result of his death at the end of fiscal 2015.

During the fourth quarter of fiscal 2016, the Company recognized $13.1 million of restructuring costs related to staff reductions in our capital markets and Corporate and Other segments.

Net loss for the fourth quarter of fiscal 2016 was $22.7 million, compared to net loss of $26.3 million in Q4/15. Loss per common share in the current quarter was $0.29, compared to a loss per common share of $0.33 in Q4/15. Book value per diluted common share decreased from $8.71 in Q4/15 to $4.99 in Q4/16.

Excluding significant items[(1)], net loss for Q4/16 was $2.1 million, compared to net income of $8.8 million in Q4/15, and loss per common share was $0.06 in Q4/16, compared to diluted EPS of $0.05 in Q4/15.

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 28.

Business Segment Results[1][2]

(C$ thousands, except number of employees)	2016 Canaccord Genuity	2016 Canaccord Genuity Wealth Management	2016 Corporate and Other	2016 Total	2015 Canaccord Genuity	2015 Canaccord Genuity Wealth Management	2015 Corporate and Other	2015 Total
Revenue								
Canada	$ 131,399	$ 106,654	$ 8,968	$ 247,021	$ 204,585	$ 123,972	$ 16,768	$ 345,325
UK & Europe	145,444	138,359	—	283,803	155,942	125,551	—	281,493
US	217,411	1,554	—	218,965	202,972	1,367	—	204,339
Other Foreign Locations	38,016	—	—	38,016	49,606	—	—	49,606
Total revenue	532,270	246,567	8,968	787,805	613,105	250,890	16,768	880,763
Expenses	864,293	214,542	72,941	1,151,776	599,263	223,110	64,047	886,420
Intersegment allocations	17,087	21,854	(38,941)	—	11,910	21,683	(33,593)	—
(Loss) income before income taxes (recovery)	$ (349,110)	$ 10,171	$ (25,032)	$ (363,971)	$ 1,932	$ 6,097	$ (13,686)	$ (5,657)
Excluding significant items[3]								
Expenses	525,385	208,322	60,155	793,862	556,908	214,736	55,814	827,458
Intersegment allocations	17,087	21,854	(38,941)	—	11,910	21,683	(33,593)	—
(Loss) income before income taxes (recovery)	$ (10,202)	$ 16,391	$ (12,246)	$ (6,057)	$ 44,287	$ 14,471	$ (5,453)	$ 53,305
Number of employees	841	666	288	1,795	901	703	324	1,928

For the years ended March 31

(1) Data is in accordance with IFRS except for figures excluding significant items and number of employees. See Non-IFRS Measures on page 28. Detailed financial results for the business segments are shown in Note 20 of the Audited Consolidated Financial Statements on page 108.
(2) The operating results of Canaccord Genuity (Australia) Limited have been consolidated and a 42% non-controlling interest has been recognized and included in the Canaccord Genuity business segment in fiscal 2016 [fiscal 2015 – 40%].
(3) See the Selected Financial Information Excluding Significant Items table on page 36.

Canaccord Genuity Group's operations are divided into three segments: Canaccord Genuity and Canaccord Genuity Wealth Management are the main operating segments while Corporate and Other is mainly an administrative segment.

CANACCORD GENUITY

Overview

Canaccord Genuity provides investment banking, research, and sales and trading services to corporate, institutional and government clients as well as conducting principal trading activities in Canada, the US, the UK & Europe and the Asia-Pacific region. Canaccord Genuity has offices in 19 cities in 9 countries worldwide.

Our operating results demonstrate the strength of our global business and the success of our efforts to diversify our revenue streams. For fiscal 2016, 75.3% of total Canaccord Genuity revenue was earned outside of Canada.

Canaccord Genuity's expansion efforts in recent years have firmly positioned the Company as a leading global independent investment bank focused on the mid-market.

During fiscal 2016, the Company took steps to streamline its leadership structure and reduce the size of its global workforce to rationalize operations in light of the prevailing market conditions. These changes were made in the interest of improving collaboration between global teams and accelerating the delivery of a consistent service model to our clients.

During fiscal 2016, Canaccord Genuity participated in 157 transactions for global clients, each valued over C$1.5 million, to raise gross proceeds of $34.8 billion[1]. Of these, Canaccord Genuity led 66 transactions globally, raising total proceeds of $4.3 billion. Sector diversification remains a core component of the Company's strategy. Resource-related revenue accounted for 10% of Canaccord Genuity's total investment banking revenue in fiscal 2016, versus 14% in fiscal 2015. Resource-related transactions comprised 15% of the total number of Canaccord Genuity's investment banking transactions in fiscal 2016, down from 22% in fiscal 2015.

Outlook

Canaccord Genuity continues to be very well positioned in many of the Company's key markets. In the fiscal year ahead, management intends to focus on capturing operating efficiencies and improving profitability through further integrating aspects of its global capital markets platform and encouraging further cross-border coordination among our global offices. During the fourth fiscal quarter, the Company began to offer Quest®, Canaccord Genuity's proprietary offering of online analytical tools, valuation

(1) Transactions over $1.5 million

models and market commentary to clients in Canada and the US. Based on the success of last year's relaunch in the UK & Europe, the Company expects this to provide opportunities for revenue growth and a valuable tool for enhancing our client relationships.

We believe Canaccord Genuity's integrated global platform provides a competitive advantage for the business compared to many of the domestically focused firms we compete with. Smaller regional or local investment dealers are increasingly under pressure to diversify, and larger international competitors dedicate limited resources to servicing growth companies. We believe this competitive landscape provides a significant opportunity for Canaccord Genuity in the global mid-market, as this space is currently relatively underserviced by other global investment banks. Canaccord Genuity's mid-market strategy and focus on key growth sectors differentiate the firm from its competition.

The continued shift towards electronic trading, and trading on alternative platforms, is expected to move some trading market share away from the main stock exchanges. In response to this, Canaccord Genuity is active in offering trading services on many of the alternative exchanges (Chi-X, CX2, Alpha, Aequitas, Pure, CSE (Canadian Stock Exchange), Omega, Lynx, Triact). The Company has also developed a strong presence in the US with its American Depositary Receipts (ADR) and foreign equity trading capabilities from its International Equities Group. The Company will continue to vigilantly monitor shifts in the capital markets and regulatory environment.

Canaccord Genuity remains committed to operating as efficiently as possible in order to sustain its global platform during periods of slower capital markets activity. A culture of cost containment continues to be reinforced throughout the Company, and strategies to lower operating costs over the long term continue to be explored.

While we are optimistic about our prospects for the future, the Company has made the prudent decision to balance investments in growth with our ability to generate profit in the current market environment. The dynamic nature of our operating environment requires us to maintain a level of agility in our business mix that allows us to stay competitive and meet the evolving needs of our clients. For this reason, the Company will make disciplined investments in the addition of small teams in specific sector verticals or key service offerings to further strengthen our operations in areas where we believe we can capture additional market share.

The management team believes the investments that the Company has made to improve Canaccord Genuity's global presence and broaden its service offering have positioned the business very well for the future.

FINANCIAL PERFORMANCE[1][2]

	For the years ended March 31									
					2016					2015
(C$ thousands, except number of employees)	**Canada**	**UK & Europe**	**US**	**Other Foreign Locations**	**Total**	Canada	UK & Europe	US	Other Foreign Locations	Total
Revenue	**$ 131,399**	**$ 145,444**	**$217,411**	**$ 38,016**	**$ 532,270**	$204,585	$155,942	$202,972	$ 49,606	$ 613,105
Expenses										
Incentive compensation	**68,316**	**93,110**	**121,448**	**24,614**	**307,488**	99,366	100,217	107,787	28,146	335,516
Salaries and benefits	**5,982**	**7,223**	**11,669**	**3,651**	**28,525**	5,226	7,037	9,986	3,404	25,653
Other overhead expenses	**38,313**	**53,943**	**88,089**	**15,593**	**195,938**	49,344	56,562	81,365	15,291	202,562
Restructuring costs	**3,427**	**3,344**	**2,039**	**2,495**	**11,305**	4,006	9,143	7,348	500	20,997
Impairment of goodwill and other assets	**150,000**	**106,858**	**15,957**	**48,222**	**321,037**	—	—	—	14,535	14,535
Total expenses	**266,038**	**264,478**	**239,202**	**94,575**	**864,293**	157,942	172,959	206,486	61,876	599,263
Intersegment allocations[3]	**12,074**	**2,012**	**3,001**	**—**	**17,087**	9,508	(602)	3,004	—	11,910
(Loss) income before income taxes (recovery)[3]	**$(146,713)**	**$(121,046)**	**$ (24,792)**	**$(56,559)**	**$(349,110)**	$ 37,135	$ (16,415)	$ (6,518)	$(12,270)	$ 1,932
Excluding significant items[4]										
Total expenses	**109,052**	**154,276**	**221,204**	**40,853**	**525,385**	150,216	163,816	199,133	43,743	556,908
Intersegment allocations[3]	**12,074**	**2,012**	**3,001**	**—**	**17,087**	9,508	(602)	3,004	—	11,910
Income (loss) before income taxes (recovery)[3]	**$ 10,273**	**$ (10,844)**	**$ (6,794)**	**$ (2,837)**	**$ (10,202)**	$ 44,861	$ (7,272)	$ 835	$ 5,863	$ 44,287
Number of employees	**180**	**279**	**291**	**91**	**841**	201	329	269	102	901

(1) Data is in accordance with IFRS except for figures excluding significant items and number of employees. See Non-IFRS Measures on page 28.
(2) The operating results of Canaccord Genuity (Australia) Limited have been consolidated and a 42% non-controlling interest has been recognized and included in the Canaccord Genuity segment during fiscal 2016 [fiscal 2015 – 40%].
(3) (Loss) income before income taxes includes intersegment allocations. See the Intersegment Allocated Costs section on page 54.
(4) Refer to the Selected Financial Information Excluding Significant Items table on page 36.

REVENUE

REVENUE BY GEOGRAPHY AS A PERCENTAGE OF CANACCORD GENUITY REVENUE

	For the years ended March 31		
	2016	2015	2016/2015 change
Revenue generated in:			
Canada	**24.7%**	33.4%	(8.7) p.p.
UK & Europe	**27.3%**	25.4%	1.9 p.p.
US	**40.8%**	33.1%	7.7 p.p.
Other Foreign Locations	**7.2%**	8.1%	(0.9) p.p.
	100.0%	100.0%	

p.p.: percentage points

Canaccord Genuity generated revenue of $532.3 million, a decline of 13.2% or $80.8 million compared to fiscal 2015 as a result of lower market activity. Revenue decreased across most of our geographies, most notably in Canada, where revenue decreased by $73.2 million or 35.8% compared to the prior year. Revenue in our UK & Europe and Other Foreign Locations operations also decreased by 6.7% and 23.4%, respectively, due to weakened market conditions and decreased corporate activity in our focus sectors in these geographies. Our US operations generated revenue of $217.4 million, which represents a 7.1% increase from fiscal 2015.

Investment banking activity

The Company's focus sector mix in fiscal 2016 showed increasing diversity, with 85% of total transactions occurring in sectors outside of Metals & Mining and Energy, which have traditionally been a significant component of the Company's revenue.

Canaccord Genuity's transactions and revenue by focus sectors are detailed below.

CANACCORD GENUITY – OVERALL

Investment banking transactions and revenue by sector

	For the year ended March 31, 2016	
Sectors	as a % of investment banking transactions	as a % of investment banking revenue
Technology	10.3%	22.6%
Healthcare & Life Sciences	19.6%	26.8%
Metals & Mining	8.8%	7.6%
Real Estate & Hospitality	13.7%	10.2%
Sustainability	2.0%	4.1%
Energy	5.9%	2.7%
Financials	29.9%	13.2%
Consumer & Retail	3.9%	6.8%
Infrastructure	2.0%	1.2%
Media & Telecommunications	0.0%	0.2%
Support Services	0.0%	(0.1)%
Transportation & Industrials	0.0%	1.6%
Other	3.9%	3.1%
Total	100.0%	100.0%

CANACCORD GENUITY – BY GEOGRAPHY

Investment banking transactions by sector (as a % of investment banking transactions for each geographic region)

	For the year ended March 31, 2016			
Sectors	Canada	UK & Europe	US	Other Foreign Locations
Technology	4.2%	21.4%	11.1%	29.6%
Healthcare & Life Sciences	5.1%	14.3%	60.0%	18.5%
Metals & Mining	8.5%	7.1%	0.0%	25.9%
Real Estate & Hospitality	14.4%	28.8%	11.2%	7.5%
Sustainability	0.8%	7.1%	4.4%	0.0%
Energy	5.1%	0.0%	8.9%	7.4%
Financials	50.0%	7.1%	0.0%	3.7%
Consumer & Retail	3.4%	7.1%	4.4%	3.7%
Infrastructure	1.7%	7.1%	0.0%	3.7%
Media & Telecommunications	0.0%	0.0%	0.0%	0.0%
Support Services	0.0%	0.0%	0.0%	0.0%
Transportation & Industrials	0.0%	0.0%	0.0%	0.0%
Other	6.8%	0.0%	0.0%	0.0%
Total	100.0%	100.0%	100.0%	100.0%

Investment banking revenue by sector (as a % of investment banking revenue for each geographic region)

	For the year ended March 31, 2016			
Sectors	Canada	UK & Europe	US	Other Foreign Locations
Technology	23.4%	41.2%	10.8%	11.7%
Healthcare & Life Sciences	13.2%	3.8%	57.6%	26.6%
Metals & Mining	8.6%	0.2%	0.3%	31.9%
Real Estate & Hospitality	21.5%	13.3%	3.4%	2.5%
Sustainability	0.0%	3.1%	7.3%	5.2%
Energy	7.4%	0.0%	2.5%	1.3%
Financials	18.8%	28.7%	2.0%	0.7%
Consumer & Retail	1.3%	1.0%	15.1%	8.8%
Infrastructure	0.3%	2.1%	0.0%	3.0%
Media & Telecommunications	0.8%	0.0%	0.0%	0.0%
Support Services	(0.3)%	0.0%	0.0%	0.0%
Transportation & Industrials	0.0%	5.6%	0.0%	0.0%
Other	5.0%	1.0%	1.0%	8.3%
Total	100.0%	100.0%	100.0%	100.0%

EXPENSES

Expenses for fiscal 2016 were $864.3 million, an increase of 44.2% or $265.0 million year over year. Excluding significant items[1], total expenses for fiscal 2016 were $525.4 million, a decrease of 5.7% or $31.5 million compared to fiscal 2015.

Incentive compensation and salaries and benefits

Incentive compensation expense for fiscal 2016 decreased by $28.0 million or 8.4% compared to fiscal 2015, partially due to the decline in incentive-based revenue. Incentive compensation expense as a percentage of revenue was 57.8%, an increase of 3.0 percentage points from fiscal 2015. Salaries and benefits expense for fiscal 2016 increased by $2.9 million or 11.2% compared to fiscal 2015. Total compensation expense as a percentage of revenue was 4.2 percentage points higher at 63.1% for the year ended March 31, 2016.

With weaker market conditions, certain incentive compensation pools as recorded under our normal methodology were determined to be lower than would be required to provide necessary compensation to select key production staff and, as a result of adjustments to these pools, our compensation expense as a percentage of revenue was higher than in previous fiscal years. As a result of these adjustments, our US operations experienced an increase of 3.2 percentage points in the total compensation ratio, offset by an increase in revenue. In Canada, total compensation as a percentage of revenue increased by 5.4 percentage points compared to fiscal 2015, to 56.5% in fiscal 2016, as a result of adjustments to the compensation pools, offset by a decrease in share-based incentive compensation. In our UK & Europe and Other Foreign Locations operations, total compensation expense as a percentage of revenue increased by 0.2 percentage points and 10.7 percentage points, respectively, as a result of adjustments to the compensation pools as well as a decline in revenue.

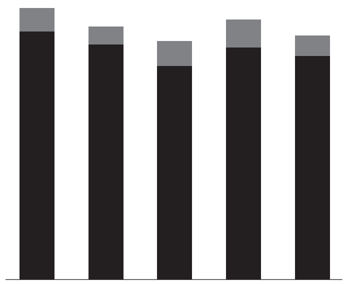
Canaccord Genuity incentive compensation expense as a percentage of revenue by geography

	For the years ended March 31		
	2016	2015	2016/2015 change
Incentive compensation expense as a percentage of revenue			
Canada	**52.0%**	48.6%	3.4 p.p.
UK &Europe	**64.0%**	64.3%	(0.3) p.p.
US	**55.9%**	53.1%	2.8 p.p.
Other Foreign Locations	**64.7%**	56.7%	8.0 p.p.
Canaccord Genuity (total)	**57.8%**	54.7%	3.1 p.p.

p.p.: percentage points

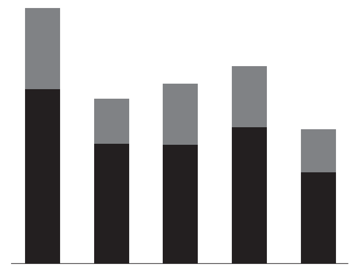
(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 28.

TOTAL COMPENSATION AS A % OF CANACCORD GENUITY REVENUE – OVERALL



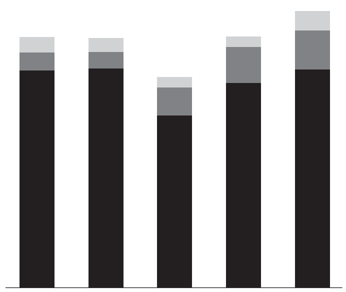
2016	2015	2014	2013	2012	
5.3%	4.2%	5.7%	6.5%	4.7%	Salaries and benefits
57.8%	54.7%	49.8%	54.1%	52.1%	Incentive compensation
63.1%	58.9%	55.5%	60.6%	56.8%	Total

TOTAL COMPENSATION AS A % OF CANACCORD GENUITY REVENUE – CANADA



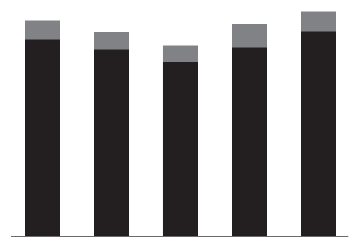
2016	2015	2014	2013	2012	
4.5%	2.5%	3.3%	3.3%	2.4%	Salaries and benefits
52.0%	48.6%	48.5%	49.5%	47.0%	Incentive compensation
56.5%	51.1%	51.8%	52.8%	49.4%	Total

TOTAL COMPENSATION AS A % OF CANACCORD GENUITY REVENUE – UK & EUROPE



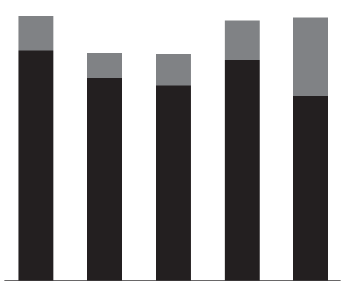
2016	2015	2014	2013	2012	
4.2%	3.9%	2.7%	2.8%	5.3%	National Insurance Tax
5.0%	4.5%	7.8%	9.9%	10.7%	Salaries and benefits
59.8%	60.4%	47.4%	56.3%	60.1%	Incentive compensation
69.0%	68.8%	57.9%	69.0%	76.1%	Total

TOTAL COMPENSATION AS A % OF CANACCORD GENUITY REVENUE – US



2016	2015	2014	2013	2012	
5.3%	4.9%	4.6%	6.6%	5.7%	Salaries and benefits
55.9%	53.1%	49.5%	53.7%	58.3%	Incentive compensation
61.2%	58.0%	54.1%	60.3%	64.0%	Total

TOTAL COMPENSATION AS A % OF CANACCORD GENUITY REVENUE – OTHER FOREIGN LOCATIONS



2016	2015	2014	2013	2012	
9.7%	6.9%	8.7%	10.9%	22.0%	Salaries and benefits
64.7%	56.7%	54.8%	61.9%	51.7%	Incentive compensation
74.4%	63.6%	63.5%	72.8%	73.7%	Total

Other overhead expenses

Other overhead expenses excluding significant items(1) were $189.4 million for fiscal 2016, a decrease of $6.3 million from the prior year. The largest fluctuations in other overhead expenses were a $4.2 million decrease in general and administrative expense, a $2.9 million decrease in interest expense, a $1.5 million decrease in amortization expense and a $1.6 million decrease in development costs, offset by a $3.0 million increase in communication and technology expense.

Interest expense decreased by $2.9 million compared to the prior year as a result of a decrease in our Canadian operations.

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 28.

General and administrative expense decreased by $4.2 million compared to fiscal 2015, mainly due to lower professional fees in our US operations and lower promotion and travel expense in our Canadian and UK operations.

Amortization expense decreased by $1.5 million to $13.9 million compared to the prior year due to a decrease in amortization of intangible assets in our Canadian operations.

Communication and technology expense increased by $3.0 million, to $37.8 million for the year ended March 31, 2016, primarily in our US operations.

Development costs decreased by $1.6 million from last year to $7.9 million in fiscal 2016, mainly due to lower hiring incentives in our US and UK & Europe operations, offset by an increase in Canada.

During fiscal 2016, the Canaccord Genuity segment recorded restructuring costs of $11.3 million related to the staff reductions in our US, UK and Canadian operations and the closure of our Barbados office. In addition, the Company recorded impairment charges in respect of the goodwill allocated to the following capital markets operations: (i) Canada – $150.0 million; (ii) UK & Europe – $106.9 million; (iii) US – $10.0 million; (iv) Other Foreign Locations – Australia – $22.1 million; and (v) Other Foreign Locations – Singapore – $24.3 million. The Company also recorded impairment charges related to the unamortized intangible assets of $1.6 million and $0.2 million allocated to Other Foreign Locations – Singapore and Other Foreign Locations – Australia, respectively. During the year ended March 31, 2016 the Company also recorded an impairment charge related to equipment and leasehold improvements of $6.0 million in our US capital markets operations.

(LOSS) INCOME BEFORE INCOME TAXES

Loss before income taxes in fiscal 2016 was $349.1 million compared to net income of $1.9 million in fiscal 2015. Excluding significant items(1), loss before income taxes was $10.2 million compared to a net income of $44.3 million in fiscal 2015. The decrease in net income excluding significant items(1) was mainly due to the decline in revenue, a higher compensation ratio resulting from certain adjustments to the compensation pools, as well as increases in certain overhead expenses incurred to support the business.

CANACCORD GENUITY WEALTH MANAGEMENT

Overview

Canaccord Genuity Group's wealth management division provides a range of comprehensive financial services and investment products to individual investors (private clients), institutions and intermediaries, and charities. Revenue from wealth management operations is generated through traditional commission-based brokerage services; the sale of fee-based products and services; client-related interest; and fees and commissions earned by Investment Advisors (IAs) from investment banking and venture capital transactions. The Company has wealth management operations in Canada, the UK & Europe, and Australia.

In the UK & Europe, Canaccord Genuity Wealth Management has five locations, including offices in the UK, Guernsey, Jersey and the Isle of Man. Revenue earned by this business is largely generated through fee-based accounts and portfolio management activities. With 70.1%% of its fiscal 2016 revenue generated from fee-based activity, this geography has a significantly higher proportion of fee-based revenue than the Company's Canadian and Australian wealth management businesses. The business caters to both onshore (UK) and offshore client accounts and provides clients with investing options from both third party and proprietary financial products, including 25 funds managed by Canaccord Genuity Wealth Management portfolio managers.

At March 31, 2016 Canaccord Genuity Wealth Management had 13 offices located across Canada, including five Independent Wealth Management (IWM) locations. During fiscal 2016, the Company continued the strategic refocusing of its Canadian wealth management division to fulfill the needs of a more conservative, aging client base by providing comprehensive financial planning services. The Company has significantly enhanced its training programs over the last several years to ensure Advisory Teams, investment professionals and fund managers possess the broad-based expertise required to deliver comprehensive wealth management advice.

Outlook

Management's priorities for Canaccord Genuity Wealth Management will be focused on growing assets under administration and management, and increasing its proportion of fee-based revenues. By increasing recurring revenue streams, we expect to meaningfully reduce our reliance on transaction-based revenue over the coming years, making our business less sensitive to changes in market conditions.

With 70.1% of the division's revenue derived from recurring, fee-based activities, the revenue streams generated through Canaccord Genuity Wealth Management's UK & European wealth management business help to improve the stability of its overall performance. Client holdings in our in-house investment management products exceed $1 billion and are attracting growing interest from domestic intermediaries and international fund companies. The Company will continue to pursue strategic opportunities to increase the scale of its UK wealth management business.

In Canada, the Company will focus on enhancing margins, managing costs, and growing the business through targeted recruitment and training. While the recruiting environment remains competitive, we expect the benefits of our enhanced global platform to help drive continued recruiting success in select markets. The Company also intends to invest further in training programs for new and existing Investment Advisors to continue developing the skills of our Advisory Teams and to support the growth of fee-based services offered through the Canadian business. Despite challenging market conditions, we maintain a strong focus on attracting and retaining high quality advisors, investing in training programs and building a comprehensive suite of high quality products targeted at attracting high net worth investors and helping advisors grow their businesses.

In Australia, the Company still has a relatively small wealth management operation; however, expansion is expected to occur through targeted recruiting, and through the build-out of wealth management services and products in this market.

FINANCIAL PERFORMANCE – NORTH AMERICA(1)(2)

(C$ thousands, except AUM and AUA (in C$ millions), number of employees, Advisory Teams and % amounts)	For the years ended March 31 2016	2015	2016/2015 change	
Revenue	$ 108,208	$ 125,339	$ (17,131)	(13.7)%
Expenses				
Incentive compensation	51,707	62,813	(11,106)	(17.7)%
Salaries and benefits	11,652	12,188	(536)	(4.4)%
Other overhead expenses	32,675	39,957	(7,282)	(18.2)%
Restructuring costs	165	—	165	100.0%
Total expenses	96,199	114,958	(18,759)	(16.3)%
Intersegment allocations(3)	19,664	17,483	2,181	12.5%
Loss before income taxes (recovery)(3)	$ (7,655)	$ (7,102)	$ (553)	(7.8)%
AUM – Canada (discretionary)(4)	1,257	1,561	(304)	(19.5)%
AUA – Canada(5)	9,192	10,729	(1,537)	(14.3)%
Number of Advisory Teams – Canada	139	152	(13)	(8.6)%
Number of employees	354	400	(46)	(11.5)%
Excluding significant items(6)				
Total expenses	$ 96,034	$ 114,958	$ (18,924)	(16.5)%
Intersegment allocations(3)	19,664	17,483	2,181	12.5%
Loss before income taxes (recovery)(3)	(7,490)	(7,102)	(388)	(5.5)%

(1) Data is in accordance with IFRS except for figures excluding significant items, AUA, AUM, number of Advisory Teams and number of employees. See Non-IFRS Measures on page 28.
(2) Includes Canaccord Genuity Wealth Management operations in Canada and the US.
(3) Loss before income taxes includes intersegment allocations. See the Intersegment Allocated Costs section on page 54.
(4) AUM represents assets managed on a discretionary basis under our programs generally described as or known as the *Complete Canaccord Investment Counselling Program* and the *Complete Canaccord Private Investment Management Program*.
(5) AUA is the market value of client assets administered by the Company, for which the Company earns commissions or fees.
(6) Refer to the Selected Financial Information Excluding Significant Items table on page 36.

Revenue from Canaccord Genuity Wealth Management North America was $108.2 million, a decrease of $17.1 million from fiscal 2015, as a result of weakened market conditions and reduced client and corporate finance activities. While we continue to experience growth in our fee-based and proprietary asset management offerings, the ongoing weakness in investment banking activity continues to put pressure on commissions and fees for our Canadian wealth management business, a key distribution channel for our capital markets transactions.

AUA in Canada decreased by 14.3% to $9.2 billion at March 31, 2016 from $10.7 billion at March 31, 2015, reflecting lower market values over the year and a reduced number of investment advisory teams. AUM in Canada also decreased by 19.5% compared to fiscal 2015. There were 139 Advisory Teams in Canada, a decrease of 13 from a year ago. The fee-based revenue in our North American operations was 10.3 percentage points higher than in the prior year and accounted for 43.9% of the wealth management revenue earned in Canada during the year ended March 31, 2016.

Expenses for the current fiscal year were $96.2 million, a decrease of $18.8 million or 16.3% from fiscal 2015. The continued focus on cost containment led to a decrease in total expenses as a percentage of revenue of 2.8 percentage points compared to last year. Incentive compensation expense decreased by $11.1 million compared to fiscal 2015 as a result of lower incentive-based revenue. Total compensation expense as a percentage of revenue decreased by 1.3 percentage points compared to last year due to lower fixed compensation levels.

Non-compensation expenses for the year ended March 31, 2016 decreased by $7.3 million compared to fiscal 2015. The continued focus on cost reductions led to a decrease of $2.3 million in general and administrative expense and of $1.1 million in development costs. Trading costs decreased by $1.3 million as a result of a change in allocation of certain trading, clearing and settlement charges from our Corporate and Other segment. Restructuring costs were $0.2 million for the fiscal year 2016 due to staff reductions.

Loss before income taxes for fiscal 2016 was $7.7 million compared to a loss before income taxes of $7.1 million for fiscal 2015, a slight increase in losses of $0.6 million despite a 13.7% decrease in revenue.

FINANCIAL PERFORMANCE – UK & EUROPE(1)

(C$ thousands, except AUM (in C$ millions), number of employees, investment professionals and fund managers, and % amounts)	2016	2015	2016/2015 change	
Revenue	$ 138,359	$ 125,551	$ 12,808	10.2%
Expenses				
Incentive compensation	50,146	45,407	4,739	10.4%
Salaries and benefits	23,454	18,573	4,881	26.3%
Other overhead expenses	44,743	43,389	1,354	3.1%
Restructuring costs	—	783	(783)	(100.0)%
Total expenses	118,343	108,152	10,191	9.4%
Intersegment allocations(2)	2,190	4,200	(2,010)	(47.9)%
Income before income taxes(2)	$ 17,826	$ 13,199	$ 4,627	35.1%
AUM – UK & Europe(3)	22,791	21,763	1,028	4.7%
Number of investment professionals and fund managers – UK & Europe	118	114	4	3.5%
Number of employees	312	303	9	3.0%
Excluding significant items(4)				
Total expenses	$ 112,288	$ 99,778	$ 12,510	12.5%
Intersegment allocations(2)	2,190	4,200	(2,010)	(47.9)%
Income before income taxes(2)	23,881	21,573	2,308	10.7%

For the years ended March 31

(1) Data is in accordance with IFRS except for figures excluding significant items, AUM, number of investment professionals and fund managers, and number of employees. See Non-IFRS Measures on page 28.
(2) Income before income taxes includes intersegment allocations. See the Intersegment Allocated Costs section on page 54.
(3) AUM in the UK & Europe is the market value of client assets managed and administered by the Company, for which the Company earns commissions or fees. This measure includes both discretionary and non-discretionary accounts.
(4) Refer to the Selected Financial Information Excluding Significant Items table on page 36.

Revenue generated by our UK & Europe operations is largely produced through fee-based accounts and portfolio management activities, and, as such, is less sensitive to changes in market conditions. Revenue for fiscal 2016 was $138.4 million, an increase of 10.2% compared to fiscal 2015, primarily as a result of fee-related revenue earned through an increase in the size and market value of managed accounts.

AUM in the UK & Europe as of March 31, 2016 was $22.8 billion, a $1.0 billion increase from $21.8 billion at March 31, 2015. The fee-based revenue in our UK & European operations accounted for 70.1% of total revenue in this geography, an increase of 1.8 percentage points compared to fiscal 2015. This business has a higher proportion of fee-based revenue and managed accounts compared to our Canadian wealth management business.

Incentive compensation expense was $50.1 million, a $4.7 million or 10.4% increase from fiscal 2015, consistent with the 10.2% increase in incentive-based revenue. Salaries and benefits increased by $4.9 million, to $23.5 million as of March 31, 2016. The increase was largely due to capitalized employment costs in fiscal 2015 incurred in connection with systems and software development prior to its implementation now being treated as an operating expense. Total compensation expense (incentive compensation plus salaries and benefits) as a percentage of revenue increased by 2.2 percentage points to 53.2% for the year ended March 31, 2016.

Other overhead expenses increased by $1.4 million from the prior year due to a $1.0 million increase in trading costs and a $1.3 million increase in communications and technology expense, mainly to support the growth in this region.

Income before income taxes was $17.8 million compared to $13.2 million in the prior year, mainly as a result of higher revenue generated in fiscal 2016. Excluding significant items(1), income before income taxes was $23.9 million, an increase of 10.7% from the prior year.

CORPORATE AND OTHER SEGMENT

Overview

The Corporate and Other segment includes Pinnacle Correspondent Services, interest, foreign exchange revenue, and expenses not specifically allocable to Canaccord Genuity or Canaccord Genuity Wealth Management.

Pinnacle Correspondent Services provides trade execution, clearing, settlement, custody, and other middle- and back-office services to other introducing brokerage firms, portfolio managers and other financial intermediaries. This business unit was developed as an extension and application of the Company's substantial investment in its information technology and operating infrastructure.

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 28.

Also included in this segment are Canaccord Genuity Group Inc.'s administrative, operational and support services departments, which are responsible for front- and back-office information technology systems, compliance and risk management, operations, legal, finance, and other administrative functions. The Company has 288 employees in the Corporate and Other segment. The majority of Canaccord Genuity Group Inc.'s corporate support functions are based in Vancouver and Toronto, Canada.

Our operations group is responsible for all activity in connection with processing securities transactions, including the clearing and settlement of securities transactions, account administration and custody of client securities. The finance department is responsible for internal financial accounting and controls, and external financial and regulatory reporting, while the compliance department is responsible for client credit and account monitoring in relation to certain legal and financial regulatory requirements. Canaccord Genuity Group Inc.'s risk management and compliance activities include procedures to identify, control, measure and monitor the Company's risk exposure at all times.

FINANCIAL PERFORMANCE[1]

	For the years ended March 31			
(C$ thousands, except number of employees and % amounts)	**2016**	2015	2016/2015 change	
Revenue	**$ 8,968**	$ 16,768	$ (7,800)	(46.5)%
Expenses				
Incentive compensation	**8,535**	11,744	(3,209)	(27.3)%
Salaries and benefits	**29,350**	29,356	(6)	—
Other overhead expenses	**29,174**	19,914	9,260	46.5%
Restructuring costs	**5,882**	3,033	2,849	93.9%
Total expenses	**72,941**	64,047	8,894	13.9%
Intersegment allocations[2]	**(38,941)**	(33,593)	(5,348)	(15.9)%
Loss before income taxes (recovery)[2]	**$ (25,032)**	$ (13,686)	$ (11,346)	(82.9)%
Number of employees	**288**	324	(36)	(11.1)%
Excluding significant items[3]				
Total expenses	**$ 60,155**	$ 55,814	$ 4,341	7.8%
Intersegment allocations[2]	**(38,941)**	(33,593)	(5,348)	(15.9)%
Loss before income taxes (recovery)[2]	**(12,246)**	(5,453)	(6,793)	(124.6)%

(1) Data is in accordance with IFRS except for figures excluding significant items and number of employees. See Non-IFRS Measures on page 28.
(2) Loss before income taxes (recovery) includes intersegment allocations. See the Intersegment Allocated Costs section below.
(3) Refer to the Selected Financial Information Excluding Significant Items table on page 36.

Revenue for fiscal 2016 was $9.0 million, a decrease of $7.8 million or 46.5% from fiscal 2015 primarily related to a $4.0 million impairment charge in connection with our investment in Canadian First Financial Group Inc., as well as a decline in foreign exchange gains.

Total expenses were $72.9 million for the year ended March 31, 2016, an increase of $8.9 million or 13.9% over the prior year. Other overhead expenses increased by $9.3 million year over year mainly due to an increase of $4.9 million in trading costs resulting from a change in the allocation of certain trading, clearing and settlement charges to the Canaccord Genuity and Canaccord Genuity Wealth Management segments. Development costs increased by $4.6 million compared to the year ended March 31, 2015, mainly due to a non-cash accounting charge related to the surrender of a long-term incentive award granted to our new CEO in conjunction with his appointment in fiscal 2016. The accounting charge related to the unamortized balance of this award as of March 31, 2016 in accordance with applicable accounting standards. A software development charge of $2.3 million related to the termination of a software development project was also recorded in fiscal 2016. In fiscal 2015, development costs included a $5.2 million charge related to the accelerated recognition of the unamortized cost of stock-based compensation awards which were held by our former CEO. Premises and equipment expense also increased by $1.3 million compared to the year ended March 31, 2015. These increases were offset by a $1.0 million decrease in general and administrative expense and a $0.8 million decrease in amortization expense.

Restructuring costs of $5.9 million were recorded during fiscal 2016 in connection with certain executive changes and staff reductions in Canada.

Loss before income taxes was $25.0 million for fiscal 2016 compared to a loss before income taxes of $13.7 million for the prior year. Excluding significant items[1], loss before income taxes was $12.2 million for the year ended March 31, 2016 compared to a loss before income taxes of $5.5 million last year.

(1) Figures excluding significant items are non-IFRS measures. See Non-IFRS Measures on page 28.

INTERSEGMENT ALLOCATED COSTS

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

Financial Condition

Below are selected balance sheet items for the past five years:

	Balance sheet summary as at March 31				
(C$ thousands)	**2016**	2015	2014	2013	2012
Assets					
Cash and cash equivalents	**$ 428,329**	$ 322,324	$ 364,296	$ 491,012	$ 814,238
Securities owned	**564,746**	848,128	1,143,201	924,337	1,171,988
Accounts receivable	**2,041,150**	2,491,488	2,785,898	2,513,958	3,081,640
Income taxes recoverable	**12,537**	5,295	3,983	—	8,301
Deferred tax assets	**11,221**	10,148	9,735	12,552	3,959
Investments	**5,578**	8,693	9,977	3,695	9,493
Equipment and leasehold improvements	**37,049**	43,373	50,975	42,979	51,084
Goodwill and other intangible assets	**323,936**	640,456	646,557	614,969	622,020
Total assets	**$ 3,424,546**	$ 4,369,905	$ 5,014,622	$ 4,603,502	$ 5,762,723
Liabilities and shareholders' equity					
Bank indebtedness	**$ 14,910**	$ 20,264	$ —	$ 66,138	$ 75,141
Short term credit facility	**—**	—	—	—	150,000
Securities sold short	**427,435**	654,639	913,913	689,020	914,649
Accounts payable and accrued liabilities	**2,185,047**	2,527,636	2,877,933	2,726,735	3,550,600
Provisions	**18,811**	14,320	10,334	20,055	39,666
Income taxes payable	**4,242**	8,172	10,822	4,428	—
Contingent consideration	**—**	—	—	14,218	—
Deferred tax liabilities	**450**	2,057	3,028	2,576	8,088
Subordinated debt	**15,000**	15,000	15,000	15,000	15,000
Shareholders' equity	**749,929**	1,117,542	1,168,680	1,049,163	992,125
Non-controlling interests	**8,722**	10,275	14,912	16,169	17,454
Total liabilities and shareholders' equity	**$ 3,424,546**	$ 4,369,905	$ 5,014,622	$ 4,603,502	$ 5,762,723

ASSETS

Cash and cash equivalents were $428.3 million at March 31, 2016 compared to $322.3 million at March 31, 2015. Refer to the Liquidity and Capital Resources section for more details.

Securities owned were $564.7 million at March 31, 2016 compared to $848.1 million at March 31, 2015, mainly attributable to a decrease in both corporate and government debt owned.

Accounts receivable were $2.0 billion at March 31, 2016 compared to $2.5 billion at March 31, 2015, mainly due to a decrease in receivables from clients and brokers and investment dealers.

Goodwill was $203.7 million and intangible assets were $120.2 million at March 31, 2016. At March 31, 2015, goodwill was $505.6 million and intangible assets were $134.9 million, representing the goodwill and intangible assets acquired through the purchases of Genuity Capital Markets, Collins Stewart Hawkpoint plc (CSHP), a 50% interest in Canaccord Genuity (Australia) Limited, and the wealth management business of Eden Financial Ltd. As discussed in previous sections, the Company recorded impairment charges in respect of the goodwill allocated to the following capital markets operations during the year ended March 31, 2016: (i) Canada – $150.0 million; (ii) UK & Europe – $106.9 million; (iii) US – $10.0 million; (iv) Other Foreign Locations – Australia – $22.1 million; and (v) Other Foreign Locations – Singapore – $24.3 million. In addition, the Company recorded impairment charges related to the unamortized intangible assets of $1.6 million and $0.2 million allocated to Other Foreign Locations – Singapore and Other Foreign Locations – Australia, respectively. During the year ended March 31, 2016, the Company also recorded an impairment charge related to equipment and leasehold improvements of $6.0 million in our US capital markets operations.

Other assets, consisting of income taxes receivable, deferred tax assets, equipment and leasehold improvements, and investments, were $66.4 million at March 31, 2016 compared to $67.5 million at March 31, 2015.

LIABILITIES AND SHAREHOLDERS' EQUITY

Bank overdrafts and call loan facilities utilized by the Company may vary significantly on a day-to-day basis and depend on securities trading activity. On March 31, 2016, Canaccord Genuity Group had available credit facilities with banks in Canada and the UK & Europe in the aggregate amount of $697.3 million [March 31, 2015 – $770.0 million]. These credit facilities, consisting of call loans, letters of credit and daylight overdraft facilities, are collateralized by unpaid client securities and/or securities owned by the Company. On March 31, 2016, there was bank indebtedness of $14.9 million, compared to $20.3 million on March 31, 2015.

Accounts payable and accrued liabilities, including provisions, were $2.2 billion, a decrease from $2.5 billion on March 31, 2015, mainly due to a decrease in payables to clients and brokers and investment dealers.

Securities sold short were $427.4 million at March 31, 2016 compared to $654.6 million at March 31, 2015, mostly due to a decrease in short positions in corporate and government debt.

Other liabilities, including subordinated debt, income taxes payable and deferred tax liabilities, were $19.7 million at March 31, 2016, a decrease from $25.2 million in the prior year.

Non-controlling interests were $8.7 million at March 31, 2016 compared to $10.3 million at March 31, 2015.

Off-Balance Sheet Arrangements

A subsidiary of the Company has entered into secured irrevocable standby letters of credit from a financial institution totaling $2.6 million (US$2.0 million) [March 31, 2015 – $1.1 million (US$0.9 million)] as rent guarantees for its leased premises in New York.

The following table summarizes Canaccord Genuity Group's long term contractual obligations on March 31, 2016.

		Contractual obligations payments due by period			
(C$ thousands)	Total	Fiscal 2017	Fiscal 2018–Fiscal 2019	Fiscal 2020–Fiscal 2021	Thereafter
Premises and equipment operating leases	$ 151,098	$ 31,196	$ 50,195	$ 32,886	$ 36,821

Liquidity and Capital Resources

The Company has a capital structure comprised of preferred shares, common shares, contributed surplus, retained earnings and accumulated other comprehensive income. On March 31, 2016, cash and cash equivalents were $428.3 million, an increase of $106.0 million from $322.3 million as of March 31, 2015. During the year ended March 31, 2016, financing activities used cash in the amount of $86.1 million, mainly due to cash dividends paid and purchases of common shares for the long-term incentive plan (LTIP). Investing activities used cash in the amount of $14.7 million mainly for the purchase of equipment and leasehold improvements and intangible assets. Operating activities generated cash in the amount of $205.6 million, which was largely due to changes in non-cash working capital. An increase in cash of $1.2 million was attributable to the effect of foreign exchange translation on cash balances.

Cash used in financing activities increased by $0.3 million compared to the year ended March 31, 2015. Cash used in investing activities decreased by $14.8 million during the year ended March 31, 2016 compared to last year, mainly due to the purchase of non-controlling interests in fiscal 2015 and lower additions of intangible assets. Changes in working capital led to an increase in cash generated by operating activities of $134.2 million.

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

Preferred Shares

SERIES A PREFERRED SHARES

In fiscal 2012, 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. The aggregate net amount recognized after deducting issue costs, net of deferred taxes of $1.0 million, was $110.8 million.

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.

SERIES C PREFERRED SHARES

In fiscal 2013, 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. The aggregate net amount recognized after deducting issue costs, net of deferred taxes of $1.0 million, was $97.5 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.

Outstanding Share Data

	Outstanding shares as of March 31	
	2016	2015
Preferred shares		
Series A – issued shares outstanding	**4,540,000**	4,540,000
Series C – issued shares outstanding	**4,000,000**	4,000,000
Common shares		
Issued shares excluding unvested shares(1)	**89,083,622**	91,794,667
Issued shares outstanding(2)	**103,812,814**	102,607,705
Issued shares outstanding – diluted(3)	**109,072,060**	104,704,483
Average shares outstanding – basic	**90,552,860**	91,693,485
Average shares outstanding – diluted(4)	**n/a**	n/a

(1) Excludes 2,557,568 outstanding unvested shares related to share purchase loans for recruitment and 12,171,624 unvested shares purchased by the employee benefit trusts for the LTIP.
(2) Includes 2,557,568 unvested shares related to share purchase loans for recruitment and 12,171,624 unvested shares purchased by the employee benefit trusts for the LTIP.
(3) Includes 5,259,246 of share issuance commitments.
(4) This is the diluted share number used to calculate diluted EPS. For years with net losses attributable to common shareholders, all instruments involving potential common shares were excluded from the calculation of diluted earnings per share as they were anti-dilutive.

Under the NCIB which commenced on August 13, 2014 and ended on August 12, 2015, a total of 1,075,432 shares were purchased at a weighted average price per share of $7.9555. All of these shares were cancelled. On August 5, 2015, the

Company filed a notice to renew the normal course issuer bid (NCIB) to provide the Company with the choice to purchase up to a maximum of 5,163,737 of its common shares during the period from August 13, 2015 to August 12, 2016 through the facilities of the TSX and on alternative trading systems in accordance with the requirements of the TSX. The purpose of the purchase of common shares under the NCIB is to enable the Company to acquire shares for cancellation. The maximum number of shares that may be purchased under the current NCIB represents 5.0% of the Company's outstanding common shares at the time of the notice. A total of 624,350 shares have been purchased at a weighted average price per share of $5.4980 and cancelled through the NCIB between April 1, 2015 and March 31, 2016.

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

Purchases under the current NCIB commenced on August 13, 2015, and will continue for one year (to August 12, 2016) at the discretion of the Company. The maximum consideration will be the market price of the securities at the time of acquisition. In order to comply with the trading rules of the TSX and the conditions for trading under the *EU Buy-back and Stabilisation Regulation*, the daily purchases are limited to 41,767 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 2015 to July 2015 and (b) 25% of the average daily trading volume of common shares of the Company on the TSX in the month of July 2015). To fulfill its regulatory reporting requirements in Canada and in the UK, the Company will issue a press release no later than the end of the seventh daily market session following the date of execution of the purchases.

As of May 31, 2016, the Company has 103,820,406 common shares issued and outstanding.

ISSUANCE AND CANCELLATION OF COMMON SHARE CAPITAL

	Fiscal 2016
Total common shares issued and outstanding as of March 31, 2015	**102,607,705**
Shares issued in connection with share-based payment plans	1,806,115
Shares issued in connection with replacement plans	77,830
Shares cancelled	(678,836)
Total common shares issued and outstanding as of March 31, 2016	**103,812,814**

Share-Based Payment Plans

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, the United States and the United Kingdom, an employee benefit trust has been established.

The Company or certain of its subsidiaries, as the case may be, fund the employee benefit trusts (the Trusts) with cash which is used by the trustees to purchase common shares on the open market that will be held in the Trusts until the RSUs vest. The Company also has the option to issue common shares from treasury to plan participants following vesting of the RSUs.

FORGIVABLE COMMON SHARE PURCHASE LOANS

The Company provides forgivable common share purchase loans to certain employees (other than directors or executive officers) in order to purchase common shares. The Company has provided such loans to executive officers in the past but has now adopted a policy not to make any further such loans to directors or executive officers. These loans are forgiven over a vesting period. No interest is charged related to the share purchase loans.

REPLACEMENT PLANS

As a result of the acquisition of CSHP, the Company introduced the Replacement Annual Bonus Equity Deferral (ABED) plan, which replaced the ABED plans that existed at CSHP as of the acquisition date. Eligible employees who participated in the CSHP ABED plan were granted awards under the Replacement ABED plan. In addition, the Company introduced the Replacement Long-term Incentive Plan, which replaced the existing LTIPs at CSHP as of the acquisition date for eligible employees.

CSH INDUCEMENT PLAN

In connection with the acquisition of CSHP, the Company agreed to establish a retention plan for key CSHP staff. 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. If the share price is greater than $8.50, then the Company will settle the RSUs in common shares.

SHARE OPTIONS

The Company previously granted share options to purchase common shares of the Company to independent directors and senior management. The independent directors and senior management have been granted options to purchase common shares of the Company. As at March 31, 2016, there were 1,509,354 options outstanding. The stock options vest over a four- to five-year period and expire seven years after the grant date. The weighted average exercise price of the share options is $9.38 per common share.

DEFERRED SHARE UNITS

Beginning April 1, 2011, the Company adopted a deferred share unit (DSU) plan for its independent directors. The independent directors can elect to have fees payable to them paid in the form of DSUs or in cash. Directors must elect annually as to how they wish their directors' fees to be paid and can specify the allocation of their directors' fees between DSUs and cash. When a director leaves the Board of Directors, outstanding DSUs are paid out in cash, with the amount equal to the number of DSUs granted multiplied by the closing share price as of the end of the fiscal quarter immediately following such terminations. Under the plan, the directors are not entitled to receive any common shares in the Company, and under no circumstances will DSUs confer on any participant any of the rights or privileges of a holder of common shares.

OTHER RETENTION AND INCENTIVE PLANS

During the course of the fiscal year, there were other retention and incentive plans, including the employee stock purchase plan, with individual employees, for which the amount incurred was not significant in the aggregate.

International Financial Centre

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

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.

The Company's principal trading subsidiaries and principal intermediate holding companies are listed in the following table:

		% equity interest	
	Country of incorporation	**March 31, 2016**	March 31, 2015
Canaccord Genuity Corp.	Canada	**100%**	100%
Canaccord Genuity SAS	France	**100%**	100%
Canaccord Genuity Wealth (International) Limited	Guernsey	**100%**	100%
Canaccord Genuity Financial Planning Limited	United Kingdom	**100%**	100%
Canaccord Genuity Wealth Limited	United Kingdom	**100%**	100%
Canaccord Genuity Wealth Group Limited	United Kingdom	**100%**	100%
Canaccord Genuity Wealth (International) Holdings Limited	Guernsey	**100%**	100%
Canaccord Genuity Limited	United Kingdom	**100%**	100%
Canaccord Genuity Inc.	United States	**100%**	100%
Canaccord Genuity Wealth Management (USA) Inc.	United States	**100%**	100%
Canaccord Genuity Wealth & Estate Planning Services Ltd.	Canada	**100%**	100%
Canaccord Asset Management Inc.	Canada	**100%**	100%
Canaccord Adams Financial Group Inc.	United States	**100%**	100%
Collins Stewart Inc.	United States	**100%**	100%
Canaccord Adams (Delaware) Inc.	United States	**100%**	100%
Canaccord Adams Financial Group ULC	Canada	**100%**	100%
Canaccord Genuity Securities LLC	United States	**100%**	100%
Stockwave Equities Ltd.	Canada	**100%**	100%
CLD Financial Opportunities Limited	Canada	**100%**	100%
Canaccord Genuity Singapore Pte Ltd.**	Singapore	**100%**	100%
Canaccord Genuity (Hong Kong) Limited	China (Hong Kong SAR)	**100%**	100%
Canaccord Financial Group (Australia) Pty Ltd*	Australia	**50%**	50%
Canaccord Genuity (Australia) Limited*	Australia	**50%**	50%
加通贝祥（北京）投资顾问有限公司 (Canaccord Genuity Asia (Beijing) Limited)	China	**100%**	100%
The Balloch Group Limited	British Virgin Islands	**100%**	100%
Canaccord Genuity Asia (Hong Kong) Limited	China (Hong Kong SAR)	**100%**	100%
Canaccord Genuity (Dubai) Ltd.	United Arab Emirates	**100%**	n/a

* The Company owns 50% of the issued shares of Canaccord Financial Group (Australia) Pty Ltd and Canaccord Genuity (Australia) Limited, but for accounting purposes, as of March 31, 2016 the Company is considered to have a 58% interest because of the shares held in a trust controlled by Canaccord Financial Group (Australia) Pty Ltd [March 31, 2015 – 60%].

** On April 8, 2016, the Company entered into an agreement to sell its shares in Canaccord Genuity Singapore Pte Ltd. This sale is subject to regulatory approval from the Monetary Authority of Singapore and is expected to close in the second quarter of fiscal 2017.

Security trades executed for employees, officers and directors of Canaccord Genuity Group Inc. 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 Genuity Group.

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

Disclosed in the table below are the amounts recognized as expenses related to individuals who are key management personnel as at March 31, 2016 and March 31, 2015.

	March 31, 2016	March 31, 2015
Short term employee benefits	$ 4,668	$ 8,063
Share-based payments	2,526	9,412
Total compensation paid to key management personnel	$ 7,194	$ 17,475

As part of the total compensation arrangement with regards to his appointment as Chief Executive Officer effective October 1, 2015, the Chief Executive Officer received a grant of 1.5 million restricted share units. He surrendered this award effective March 31, 2016, and the amount of the award is not included in the table above.

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

	March 31, 2016	March 31, 2015
Accounts receivable	$ 61	$ —
Accounts payable and accrued liabilities	$ 4,035	$ 1,041

Critical Accounting Policies and Estimates

The following is a summary of Canaccord Genuity Group's critical accounting estimates. The Company's significant accounting policies are in accordance with IFRS and are described in Note 5 to the Audited Consolidated Financial Statements for the year ended March 31, 2016. The Company's consolidated financial statements for the years ended March 31, 2015 and 2014 were also prepared in accordance with IFRS.

The preparation of the March 31, 2016 Audited 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 judgments, estimates and assumptions include consolidation, revenue recognition, share-based payments, income taxes, tax losses available for carryforward, impairment of goodwill and other assets, indefinite life intangible assets and other long-lived assets, allowance for credit losses, fair value of financial instruments, capitalization of software costs and provisions. Significant accounting policies used and policies requiring management's judgment and estimates are disclosed in Notes 2 and 5 of the Audited Consolidated Financial Statements for the year ended March 31, 2016.

CONSOLIDATION

The Company owns 50% of the voting shares of Canaccord Genuity (Australia) Limited (CGAL) as at March 31, 2016. The Company also completed an evaluation of its contractual arrangement with the other shareholders and the power it has over the financial and operating policies of CGAL and determined it should consolidate under IFRS 10, "*Consolidated Financial Statements*" (IFRS 10) as at March 31, 2016 and 2015. Therefore, the financial position, financial performance, and cash flows of CGAL have been consolidated. Although the Company owns 50% of the issued shares of CGAL, for accounting purposes, as of March 31, 2016, the Company is considered to have a 58% interest because of the shares held in a trust controlled by Canaccord Financial Group (Australia) Pty Ltd. and therefore has recognized a 42% non-controlling interest (March 31, 2015 – 40%), which represents the portion of CGAL's net identifiable assets not owned by the Company. At the date of acquisition, the non-controlling interest was determined using the proportionate method. Net income (loss) and each component of other comprehensive income (loss) are attributed to the non-controlling interest and to the owners of the parent.

The Company has established employee benefit trusts, which are considered special purpose entities (SPEs), to fulfill obligations to employees arising from the Company's share-based payment plans. The employee benefit trusts have been consolidated in accordance with IFRS 10 since their activities are conducted on behalf of the Company, and the Company retains the majority of the benefits and risks of the employee benefit trusts.

INTANGIBLE ASSETS

Identifiable intangible assets acquired separately are measured on initial recognition at cost. The cost of identifiable intangible assets acquired in a business combination is equal to their fair value as at the date of acquisition. Following initial recognition, identifiable intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of identifiable intangible assets are assessed to be either finite or indefinite. Identifiable intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the identifiable intangible asset may be impaired. The amortization period and the amortization method for an identifiable intangible asset are reviewed at least annually, at each financial year end. Identifiable intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually.

Technology development expenditures on an individual project are recognized as an intangible asset when the Company can demonstrate that the technical feasibility of the asset for use has been established. The asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit.

IMPAIRMENT OF NON-FINANCIAL ASSETS

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value-in-use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount, and recognized in the income statement.

In assessing fair value less costs to sell, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The Company bases its impairment calculation on annual budget calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budget calculations generally cover a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognized in the consolidated statements of operations in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, or exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

The following assets have specific characteristics for impairment testing:

Goodwill

Goodwill is tested for impairment at least annually as at March 31 and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually as at March 31 at the CGU level and when circumstances indicate that the carrying value may be impaired.

REVENUE RECOGNITION

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The Company assesses its revenue arrangements in order to determine if it is acting as principal or agent.

Commissions and fees revenue consists of revenue generated through commission-based brokerage services, recognized on a trade date basis, and the sale of fee-based products and services, recognized on an accrual basis. Realized and unrealized gains and losses on securities purchased for client-related transactions are reported as net facilitation losses and recorded as a reduction of commission revenues.

Investment banking revenue consists of underwriting fees and commissions earned on corporate finance activities. Revenue from underwritings and other corporate finance activities is recorded when the underlying transaction is substantially completed under the engagement terms and the related revenue is reasonably determinable.

Advisory fees consist of management and advisory fees that are recognized on an accrual basis. Also included in advisory fees is revenue from mergers and acquisitions activities, which is recognized when the underlying transaction is substantially completed under the engagement terms and the related revenue is reasonably determinable.

Principal trading revenue consists of income earned in connection with principal trading operations and is recognized on a trade date basis.

Interest revenue consists of interest earned on client margin accounts, interest earned on the Company's cash and cash equivalents balances, interest earned on cash delivered in support of securities borrowing activity, and dividends earned on securities owned. Interest revenue is recognized on an effective interest rate basis. Dividend income is recognized when the right to receive payment is established.

Other revenue includes foreign exchange gains or losses, revenue earned from our correspondent brokerage services and administrative fees revenues.

INCOME TAXES

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statements of operations.

Deferred tax

Deferred taxes are accounted for using the liability method. This method requires that deferred taxes reflect the expected deferred tax effect of temporary differences at the reporting date between the carrying amounts of assets and liabilities for financial statement purposes and their tax bases.

Deferred tax liabilities are recognized for all taxable temporary differences, except for taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits and carryforward of unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward of unused tax credits and unused tax losses can be utilized. The carrying amounts of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is charged or credited in the statements of operations except where it relates to items that may be credited directly to equity, in which case the deferred tax is recognized directly against equity.

Sales tax

Revenues, expenses and assets are recognized net of the amount of sales tax, except where the amount of sales tax incurred is not recoverable from the tax authority. In these circumstances, sales tax is recognized as part of the cost of acquisition of the asset or as part of an item of the expense. The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of accounts receivable or accounts payable in the consolidated statements of financial position.

SHARE-BASED PAYMENTS

Employees (including senior executives and directors) of the Company receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions). Independent directors also receive DSUs as part of their remuneration, which can only be settled in cash (cash-settled transactions). The dilutive effect of outstanding options and share-based payments is reflected as additional share dilution in the computation of diluted earnings per common share.

Equity-settled transactions

For equity-settled transactions, the Company measures the fair value of share-based awards as of the grant date and recognizes the cost as an expense over the applicable vesting period with a corresponding increase in contributed surplus. The cost is recognized on a graded basis.

The Company estimates the number of equity instruments that will ultimately vest when calculating the expense attributable to equity-settled transactions. No expense is recognized for awards that do not ultimately vest.

When share-based awards vest, contributed surplus is reduced by the applicable amount and share capital is increased by the same amount.

Cash-settled transactions

Cash-settled transactions are measured initially at fair value at the grant date. The fair values of DSUs are expensed upon grant, as there are no vesting conditions. The liability is remeasured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognized through the statements of operations.

TRANSLATION OF FOREIGN CURRENCY TRANSACTIONS AND FOREIGN SUBSIDIARIES

The Company's consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency. Each subsidiary of the Company determines its own functional currency, and items included in the financial statements of each subsidiary are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Company and its subsidiaries at their respective functional currencies using exchange rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated by the Company and its subsidiaries into their respective functional currencies at the exchange rate in effect at the reporting date. All differences upon translation are recognized in the consolidated statements of operations.

Non-monetary assets and liabilities denominated in foreign currencies are translated by the Company and its subsidiaries into their respective functional currencies at historical rates. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates in effect at the date when the fair value is determined.

Translation of foreign subsidiaries

Assets and liabilities of foreign subsidiaries with a functional currency other than the Canadian dollar are translated into Canadian dollars at rates prevailing at the reporting date, and income and expenses are translated at average exchange rates prevailing during the period. Unrealized gains or losses arising as a result of the translation of the foreign subsidiaries are recorded in accumulated other comprehensive income (loss). On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the consolidated statements of operations.

The Company also has monetary assets and liabilities that are receivable or payable from a foreign operation. If settlement of the receivable or payable is neither planned nor likely to occur in the foreseeable future, the differences upon translation are recognized in accumulated other comprehensive income (loss) as these receivables and payables form part of the net investment in the foreign operation.

PROVISIONS

Provisions are recognized when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the statements of operations net of any reimbursement. If the effect of the time value of money is significant, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Financial Instruments

A significant portion of the Company's assets and liabilities are composed of financial instruments. The Company uses financial instruments for both trading and non-trading activities. Canaccord Genuity Group engages in trading activities which include the purchase and sale of securities in the course of facilitating client trades and taking principal trading positions with the objective of earning a profit.

The use of financial instruments may either introduce or mitigate exposures to market, credit and/or liquidity risks. See Risk Management in this MD&A for details on how these risks are managed. For significant assumptions made in determining the valuation of financial and other instruments, refer to Critical Accounting Policies and Estimates in this MD&A. For additional information regarding the Company's financial instruments, refer to Note 7 of the Audited Consolidated Financial Statements for the year ended March 31, 2016.

FOREIGN EXCHANGE

The Company manages its foreign exchange risk by periodically hedging pending settlements in foreign currencies. Realized and unrealized gains and losses related to these transactions are recognized in income during the period. On March 31, 2016, forward contracts outstanding to sell US dollars had a notional amount of US$2.0 million, a decrease of US$5.5 million compared to March 31, 2015. Forward contracts outstanding to buy US dollars had a notional amount of US$1.5 million, a decrease of

US$10.5 million from March 31, 2015. The fair value of these contracts was nominal. Some of the Company's operations in the US, the UK & Europe, Australia, Singapore, Hong Kong and China are conducted in the local currency; however, any foreign exchange risk in respect of these transactions is generally limited as pending settlements on both sides of the transaction are typically in the local currency.

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

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

FUTURES

The Company's Canadian operations are involved in trading bond futures contracts, which are agreements to buy or sell a standardized amount of an underlying Government of Canada bond, at a predetermined future date and price, in accordance with terms specified by a regulated futures exchange, and are subject to daily cash margining. The Company's Canadian operations trade in bond futures in an attempt to mitigate interest rate risk, yield curve risk and liquidity risk. At March 31, 2016, the notional amount of the bond futures contracts outstanding was long $10.9 million [March 31, 2015 – $1.6 million].

The Company's Canadian operations are also involved in trading US Treasury futures in an attempt to mitigate interest rate risk, yield curve risk and liquidity risk. At March 31, 2016, the notional amount of US Treasury futures contracts outstanding held in a short position was $12.3 million (US$9.5 million) [March 31, 2015 – $nil].

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

Future Changes in Accounting Policies and Estimates

The Company monitors the potential changes proposed by the International Accounting Standards Board on an ongoing basis and analyzes the effect that changes in the standards may have on the Company's operations.

Please see Note 4 of the Audited Consolidated Financial Statements for the year ended March 31, 2016 for further information.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

DISCLOSURE CONTROLS AND PROCEDURES

As of March 31, 2016, an evaluation was carried out, under the supervision of and with the participation of management, including the President & CEO and the Executive Vice President, Chief Financial & Risk Officer, of the effectiveness of our disclosure controls and procedures as defined under *National Instrument 52-109*. Based on that evaluation, the President & CEO and the Executive Vice President, Chief Financial & Risk Officer concluded that the design and operation of these disclosure controls and procedures were effective as of and during the fiscal year ended March 31, 2016.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management, including the President & CEO and the Executive Vice President, Chief Financial & Risk Officer, 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. Based on that evaluation, the President & CEO and the Executive Vice President, Chief Financial & Risk Officer concluded that the Company's internal control over financial reporting was designed and operating effectively as of and during the year ended March 31, 2016 and that there were no material weaknesses in our internal control over financial reporting.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in internal control over financial reporting that occurred during the year ended March 31, 2016 that have materially affected, or are reasonably likely to materially affect, Canaccord Genuity Group's internal control over financial reporting.

Risk Management

OVERVIEW

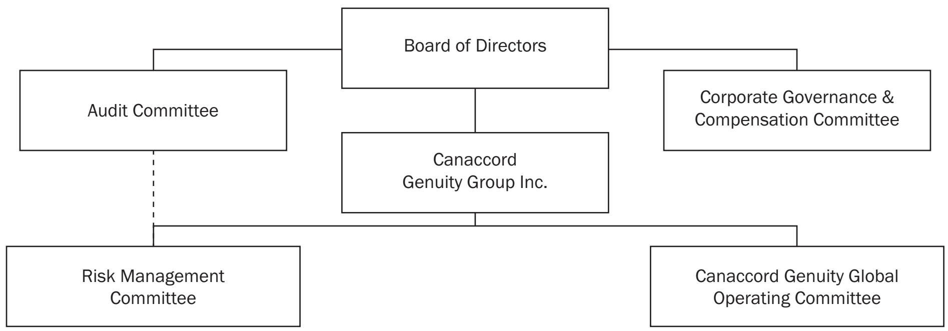
Uncertainty and risk are inherent when conducting operations within financial markets. As an active participant in the Canadian and international capital markets, Canaccord Genuity Group is exposed to risks that could result in financial losses. The Company has identified its principal risks as: market risk, credit risk, operational risk and other risks. Accordingly, risk management and control of the balance between risk and return are critical elements in maintaining the Company's financial stability and profitability. Therefore, an effective risk management framework is integral to the success of Canaccord Genuity Group Inc.

RISK MANAGEMENT STRUCTURE AND GOVERNANCE

Canaccord Genuity Group's disciplined risk management process encompasses a number of functional areas and requires frequent communication, judgment and knowledge of the business, products and markets. The Company's senior management is actively involved in the risk management process and has developed policies, procedures and reports that enable the Company to assess and control its risks. These policies and procedures are subject to ongoing review and modification as activities, markets and circumstances change.

As part of Canaccord Genuity Group's risk philosophy, the first line of responsibility for managing risk lies with branch managers, department heads and trading desk managers (within prescribed limits). The monitoring and control of the Company's risk exposure is conducted through a variety of separate, but complementary, financial, credit, operational, compliance and legal reporting systems.

The Company's governance structure includes the following elements:



The Board of Directors (the Board) has oversight of the company-wide risk management framework. These responsibilities are delegated to the Audit and Risk Management Committees. See Canaccord Genuity Group's current Annual Information Form (AIF) for details of the Audit Committee's mandate as it relates to risk management.

The Audit Committee assists the Board in fulfilling its oversight responsibility by monitoring the effectiveness of internal controls and the control environment. It also receives and reviews various quarterly and annual updates, and reports on key risk metrics as well as the overall risk management program.

The Risk Management Committee assists the Board in fulfilling its responsibilities for monitoring risk exposures against the defined risk appetite and for general oversight of the risk management process. The Risk Management Committee is led by the CFO, who also acts as the firm's Chief Risk Officer, and committee members include the CEO and senior management representation from the key revenue-producing businesses and functional areas of Canaccord Genuity Group. The Committee identifies, measures and monitors the principal risks facing the business through review and approval of the Company's risk appetite, policies, procedures, and limits/thresholds.

The segregation of duties and management oversight are important aspects of the Company's risk management framework. Canaccord Genuity Group has a number of functions that are independent of the revenue-producing businesses that perform risk management activities, including the monitoring, evaluating and analyzing of risk. These functions include Enterprise Risk Management, Compliance, Operations, Internal Controls and Financial Analysis, Treasury, Finance and Legal.

MARKET RISK

Market risk is the risk that a change in market prices and/or any of the underlying market factors will result in losses. Each business area is responsible for ensuring that its market risk exposure is prudent. In addition, the Company has established procedures to ensure that risks are measured, closely monitored, controlled and visible to senior levels of management.

Canaccord Genuity Group is exposed to equity price risk, liquidity risk and volatility risk as a result of its principal trading activities in equity securities. The Company is also exposed to specific interest rate risk, credit spread risk and liquidity risk in respect of its principal trading in fixed income securities. In addition to active supervision and review of trading activities by senior management, Canaccord Genuity Group mitigates its risk exposure through a variety of limits to control concentration, capital allocation and usage, as well as through trading policies and guidelines. The Company manages and monitors its risks in this area using both qualitative and quantitative measures, on a company-wide basis, and also by trading desk and by individual trader. Canaccord Genuity Group utilizes scenario analysis and Value-at-Risk (VaR) risk measurement system for its equity and fixed income inventories. Management also regularly reviews and monitors inventory levels and positions, trading results, position aging and concentration levels. Consequently, the Company can ensure that it is adequately diversified with respect to market risk factors and that trading activity is within the risk tolerance levels established by senior management.

CREDIT RISK

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The primary source for credit risk to Canaccord Genuity Group is in connection with trading activity by clients in the Canaccord Genuity Wealth Management business segment and private client margin accounts. In order to minimize financial exposure in this area, the Company applies certain credit standards and conducts financial reviews with respect to clients and new accounts.

Canaccord Genuity Group provides financing to clients by way of margin lending. In a margin-based transaction, the Company extends credit for a portion of the market value of a securities transaction in a client's account, up to certain limits. Margin loans are collateralized by securities in the client's account. In connection with this lending activity, Canaccord Genuity Group faces a risk of financial loss in the event that a client fails to meet a margin call if market prices for securities held as collateral decline and if the Company is unable to recover sufficient value from the collateral held. For margin lending purposes, Canaccord Genuity Group has established limits that are generally more restrictive than those required by applicable regulatory policies. In addition, Canaccord Genuity Group has established limits to how much it will lend against an individual security or group of securities in a single sector so as to limit credit concentration risk.

Canaccord Genuity Group also faces a risk of financial loss with respect to trading activity by clients if such trading results in overdue or unpaid amounts in under-secured cash accounts. The Company has developed a number of controls within its automated trade order management system to ensure that trading by individual account and advisor is done in accordance with customized limits and risk parameters.

The Company is engaged in various trading and brokerage activities whose counterparties primarily include broker dealers, banks, clearing agents, exchanges, financial intermediaries and other financial institutions. These activities include agency trading, securities borrowing and lending, and entering into repurchase agreements and reverse repurchase agreements. In the event that counterparties do not fulfill their obligations, Canaccord Genuity Group may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty and/or the issuer of the instrument. The Company manages this risk by imposing and monitoring individual and aggregate position limits within each business segment, for each counterparty, conducting regular credit reviews of financial counterparties, reviewing security and loan concentrations, holding and marking to market collateral on certain transactions, and conducting business through clearing organizations that guarantee performance.

Canaccord Genuity Group records a provision for bad debts in general and administrative expense. Any actual losses arising from or associated with client trading activity as described above are charged to this provision. Historically, this provision has been sufficient to cover actual losses.

OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, fraud, people and systems, or from external events such as the occurrence of disasters or security threats. Operational risk exists in all of the Company's activities, including processes, systems and controls used to manage other risks. Failure to manage operational risk can result in financial loss, reputational damage, regulatory fines and failure to manage market or credit risks.

Canaccord Genuity Group operates in different markets and relies on its employees and systems to process a high number of transactions. In order to mitigate this risk, the Company has developed a system of internal controls and checks and balances at appropriate levels, which includes overnight trade reconciliation, control procedures related to clearing and settlement, transaction and daily value limits within all trading applications, cash controls, physical security, independent review procedures, documentation standards, billing and collection procedures, and authorization and processing controls for transactions and accounts. In addition, the Company has implemented an operational risk program that helps Canaccord Genuity Group measure, manage, report and monitor operational risk issues (see RCSA below). Canaccord Genuity Group also has disaster recovery procedures, business continuity plans and built-in redundancies in place in the event of a systems or technological failure. In addition, the Company utilizes third party service agreements and security audits where appropriate.

Risk and Control Self-Assessment (RCSA)

The purpose of RCSAs is to:

- Identify and assess key risks inherent to the business and categorize them based on severity and frequency of occurrence
- Rate the effectiveness of the control environment associated with the key risks
- Mitigate the risks through the identification of action plans to improve the control environment where appropriate
- Provide management with a consistent approach to articulate and communicate the risk profiles of their areas of responsibility
- Meet regulatory requirements and industry standards

Canaccord Genuity Group has established a process to determine what the strategic objectives of each group/unit/department are and identify, assess and quantify operational risks that hinder the Company's ability to achieve those objectives. The RCSA results are specifically used to calculate the operational risk regulatory capital requirements for operations in the UK and operational risk exposure in all geographies. The RCSAs are periodically updated and results are reported to the Risk Management and Audit Committees.

OTHER RISKS

Other risks encompass those risks that can have an adverse material impact on the business but do not belong to market, credit or operational risk categories.

Regulatory and legal risk

Regulatory risk results from non-compliance with regulatory requirements, which could lead to fines and/or sanctions. Canaccord Genuity Group has established procedures to ensure compliance with all applicable statutory and regulatory requirements in each jurisdiction. These procedures address issues such as regulatory capital requirements, disclosure requirements, internal controls over financial reporting, sales and trading practices, use of and safekeeping of client funds, credit granting, collection activity, anti-money laundering, insider trading, conflicts of interest and recordkeeping.

Legal risk results from potential criminal, civil or regulatory litigation against Canaccord Genuity Group that could materially affect the Company's business, operations or financial condition. Canaccord Genuity Group has in-house legal counsel, as well as access to external legal counsel, to assist the Company in addressing legal matters related to operations and to defend the Company's interests in various legal actions.

Losses or costs associated with routine regulatory and legal matters are included in general and administrative expense in Canaccord Genuity Group's Audited Consolidated Financial Statements.

Reputational risk

Reputational risk is the risk that an activity undertaken by an organization or its representatives will impair its image in the community or lower public confidence in it, resulting in a loss of revenue, legal action or increased regulatory oversight. Possible sources of reputational risk could come from operational failures, non-compliance with laws and regulations, or leading an unsuccessful financing. Canaccord Genuity Group could face reputational risk through its association with past or present corporate finance clients who are the subject of regulatory and/or legal scrutiny. Reputational risk can also be reflected within customer satisfaction and external ratings, such as equity analyst reports. In addition to its various risk management policies, controls and procedures, Canaccord Genuity Group has a formal Code of Business Conduct and Ethics and an integrated program of marketing, branding, communications and investor relations to help manage and support the Company's reputation.

RISK FACTORS

For a detailed list of the risk factors that are relevant to Canaccord Genuity Group's business and the industry in which it operates, see the Risk Factors section in the Company's current AIF. Risks include, but are not necessarily limited to, those listed in the AIF. Investors should carefully consider the information about risks, together with the other information in this document, before making investment decisions. It should be noted that this list is not exhaustive, but contains risks that Canaccord Genuity Group considers to be of particular relevance. Other risk factors may apply.

CONTROL RISK

As of March 31, 2016, senior officers and directors of the Company collectively owned approximately 6.9% of the issued and outstanding (11.1% fully diluted) common shares of Canaccord Genuity Group Inc. If a sufficient number of these shareholders act or vote together, they will have the power to exercise significant influence over all matters requiring shareholder approval, including the election of the Company's directors, amendments to its articles, amalgamations and plans of arrangement under Canadian law and mergers or sales of substantially all of its assets. This could prevent Canaccord Genuity Group from entering into transactions that could be beneficial to the Company or its other shareholders. Also, third parties could be discouraged from making a tender offer or takeover bid to acquire any or all of the outstanding common shares of the Company.

In addition, as at March 31, 2016, the single largest shareholder that management was aware of was 1832 Asset Management ("1832"). The most recent confirmation of total holdings indicated 1832 owned 6,146,925 shares of Canaccord Genuity Group Inc. 1832's ownership represents 5.9% of common shares issued and outstanding as at March 31, 2016.

Any significant change in these shareholdings through sale or other disposition, or significant acquisitions by others of the common shares in the public market or by way of private transactions, could result in a change of control and changes in business focus or practices that could affect the profitability of Canaccord Genuity Group's business.

Restrictions on ownership and transfer of common shares

Restrictions on ownership and transfer of common shares in the articles of Canaccord Genuity Group to prevent unauthorized change in control without regulatory approval could, in certain cases, affect the marketability and liquidity of the common shares.

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 Genuity Group's financial condition, results of operations, capital requirements and such other factors as the Board determines to be relevant.

Dividend Declaration

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

On June 1, 2016, the Board of Directors approved the following cash dividends: $0.34375 per Series A Preferred Share payable on June 30, 2016 with a record date of June 17, 2016; and $0.359375 per Series C Preferred Share payable on June 30, 2016 with a record date of June 17, 2016.

Additional Information

Additional information relating to Canaccord Genuity Group Inc., including our Annual Information Form, is available on our website at www.canaccordgenuitygroup.com/EN/IR/FinReports/Pages/default.aspx and on SEDAR at www.sedar.com.