Interim Condensed Consolidated Financial Statements

Consolidated Statements of Earnings

(unaudited) (in thousands of Canadian dollars, except shares and per share amounts)	Three months ended September 30 **2012**	2011	Nine months ended September 30 **2012**	2011
Revenues				
Management fees	**$ 431,502**	$ 464,649	**$ 1,331,657**	$ 1,448,551
Administration fees	**83,347**	85,116	**252,584**	260,540
Distribution fees	**75,160**	80,759	**240,873**	253,676
Net investment income and other	**23,903**	22,370	**63,071**	64,096
Proportionate share of affiliate's earnings	**20,150**	20,862	**56,573**	55,953
	634,062	673,756	**1,944,758**	2,082,816
Expenses				
Commission	**209,758**	218,504	**644,861**	680,833
Non-commission	**161,461**	156,032	**501,661**	482,129
Interest	**23,163**	23,198	**68,986**	79,608
	394,382	397,734	**1,215,508**	1,242,570
Earnings before income taxes and discontinued operations	**239,680**	276,022	**729,250**	840,246
Income taxes	**50,540**	60,775	**163,406**	196,595
Net earnings from continuing operations	**189,140**	215,247	**565,844**	643,651
Net earnings from discontinued operations *(Note 3)*	**–**	30,995	**–**	33,018
Net earnings	**189,140**	246,242	**565,844**	676,669
Perpetual preferred share dividends	**2,213**	2,213	**6,638**	6,638
Net earnings available to common shareholders	**$ 186,927**	$ 244,029	**$ 559,206**	$ 670,031
Average number of common shares *(in thousands) (Note 12)*				
– Basic	**254,516**	257,807	**255,636**	258,461
– Diluted	**254,905**	258,730	**256,202**	259,464
Earnings per share *(in dollars) (Note 12)*				
Net earnings available to common shareholders from continuing operations				
– Basic	**$ 0.73**	$ 0.83	**$ 2.19**	$ 2.46
– Diluted	**$ 0.73**	$ 0.82	**$ 2.18**	$ 2.46
Net earnings available to common shareholders				
– Basic	**$ 0.73**	$ 0.95	**$ 2.19**	$ 2.59
– Diluted	**$ 0.73**	$ 0.94	**$ 2.18**	$ 2.58

(See accompanying notes to interim condensed consolidated financial statements.)

Consolidated Statements of Comprehensive Income

(unaudited) (in thousands of Canadian dollars)	Three months ended September 30 2012	 2011	Nine months ended September 30 2012	 2011
Net earnings	**$ 189,140**	$ 246,242	**$ 565,844**	$ 676,669
Other comprehensive income (loss), net of tax				
Employee benefits				
Net actuarial gains (losses), *net of tax of $4,968, $10,897, $8,992 and $12,368*	**(13,433)**	(29,463)	**(24,303)**	(33,440)
Available for sale securities				
Net unrealized gains (losses), *net of tax of $(78), $429, $29 and $169*	**215**	(2,288)	**142**	(1,498)
Reclassification of realized (gains) losses to net earnings, *net of tax of $2, $961, $(54) and $1,451*	**(7)**	(2,212)	**(78)**	(3,468)
	208	(4,500)	**64**	(4,966)
Investment in affiliate and other				
Other comprehensive income (loss), *net of tax of $33, $257, $317 and $74*	**2,422**	(1,421)	**(9,216)**	(20,675)
	(10,803)	(35,384)	**(33,455)**	(59,081)
Comprehensive income	**$ 178,337**	$ 210,858	**$ 532,389**	$ 617,588

(See accompanying notes to interim condensed consolidated financial statements.)

Consolidated Balance Sheets

(unaudited) *(in thousands of Canadian dollars)*	SEPTEMBER 30 2012	DECEMBER 31 2011
Assets		
Cash and cash equivalents	**$ 880,642**	$ 1,052,423
Securities *(Note 4)*	**297,107**	292,432
Accounts and other receivables	**322,367**	281,982
Income taxes recoverable	**53,483**	27,796
Loans *(Note 5)*	**4,784,610**	4,085,929
Derivative instruments	**68,711**	88,092
Other assets	**34,470**	40,228
Investment in affiliate	**624,686**	612,480
Capital assets	**108,905**	109,953
Deferred selling commissions	**710,776**	750,763
Deferred income taxes	**71,163**	59,612
Intangible assets	**1,112,881**	1,117,858
Goodwill	**2,638,954**	2,640,523
	$ 11,708,755	$ 11,160,071
Liabilities		
Accounts payable and accrued liabilities	**$ 275,408**	$ 300,094
Income taxes payable	**44,568**	62,816
Repurchase agreements *(Note 4)*	**227,112**	227,280
Derivative instruments	**82,220**	111,424
Deposits and certificates	**155,124**	150,716
Other liabilities	**389,983**	357,959
Obligations to securitization entities *(Note 6)*	**4,433,299**	3,827,339
Deferred income taxes	**312,059**	308,968
Long-term debt	**1,325,000**	1,325,000
	7,244,773	6,671,596
Shareholders' Equity		
Share capital		
Perpetual preferred shares	**150,000**	150,000
Common shares	**1,568,671**	1,578,270
Contributed surplus	**37,431**	35,842
Retained earnings	**2,718,954**	2,726,285
Accumulated other comprehensive income (loss)	**(11,074)**	(1,922)
	4,463,982	4,488,475
	$ 11,708,755	$ 11,160,071

These interim condensed consolidated financial statements were approved and authorized for issuance by the Board of Directors on November 8, 2012.

(See accompanying notes to interim condensed consolidated financial statements.)

Consolidated Statements of Changes in Shareholders' Equity

						NINE MONTHS ENDED SEPTEMBER 30
	SHARE CAPITAL					
(unaudited) *(in thousands of Canadian dollars)*	PERPETUAL PREFERRED SHARES *(Note 7)*	COMMON SHARES *(Note 7)*	CONTRIBUTED SURPLUS	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) *(Note 10)*	TOTAL SHAREHOLDERS' EQUITY
2012						
Balance, beginning of period	**$ 150,000**	**$1,578,270**	**$ 35,842**	**$2,726,285**	**$ (1,922)**	**$4,488,475**
Net earnings	–	–	–	**565,844**	–	**565,844**
Net actuarial losses on employee benefit plans, net of tax	–	–	–	**(24,303)**	–	**(24,303)**
Other comprehensive income (loss), net of tax	–	–	–	–	**(9,152)**	**(9,152)**
Total comprehensive income (loss)	–	–	–	**541,541**	**(9,152)**	**532,389**
Common shares						
Issued under stock option plan	–	**13,798**	–	–	–	**13,798**
Purchased for cancellation	–	**(23,397)**	–	–	–	**(23,397)**
Stock options						
Current period expense	–	–	**3,568**	–	–	**3,568**
Exercised	–	–	**(1,979)**	–	–	**(1,979)**
Perpetual preferred share dividends	–	–	–	**(6,638)**	–	**(6,638)**
Common share dividends	–	–	–	**(411,000)**	–	**(411,000)**
Common share cancellation excess and other *(Note 7)*	–	–	–	**(131,234)**	–	**(131,234)**
Balance, end of period	**$ 150,000**	**$1,568,671**	**$ 37,431**	**$2,718,954**	**$ (11,074)**	**$4,463,982**
2011						
Balance, beginning of period	$ 150,000	$ 1,567,725	$ 37,785	$ 2,559,238	$ 2,538	$ 4,317,286
Net earnings	–	–	–	676,669	–	676,669
Net actuarial losses on employee benefit plans, net of tax	–	–	–	(33,440)	–	(33,440)
Other comprehensive income (loss), net of tax	–	–	–	–	(25,641)	(25,641)
Total comprehensive income (loss)	–	–	–	643,229	(25,641)	617,588
Common shares						
Issued under stock option plan	–	32,240	–	–	–	32,240
Purchased for cancellation	–	(20,086)	–	–	–	(20,086)
Stock options						
Current period expense	–	–	3,884	–	–	3,884
Exercised	–	–	(3,498)	–	–	(3,498)
Perpetual preferred share dividends	–	–	–	(6,638)	–	(6,638)
Common share dividends	–	–	–	(403,049)	–	(403,049)
Common share cancellation excess and other *(Note 7)*	–	–	–	(128,542)	–	(128,542)
Balance, end of period	$ 150,000	$ 1,579,879	$ 38,171	$ 2,664,238	$ (23,103)	$ 4,409,185

(See accompanying notes to interim condensed consolidated financial statements.)

Consolidated Statements of Cash Flows

(unaudited) *(in thousands of Canadian dollars)*	NINE MONTHS ENDED SEPTEMBER 30 2012	2011
Operating activities – continuing operations		
Earnings before income taxes and discontinued operations	**$ 729,250**	$ 840,246
Income taxes paid	**(206,432)**	(253,243)
Adjustments to determine net cash from operating activities		
Commission amortization	**201,654**	212,535
Amortization of capital and intangible assets	**25,364**	24,859
Changes in operating assets and liabilities and other	**(103,906)**	(69,825)
	645,930	754,572
Commissions paid	**(161,667)**	(191,472)
	484,263	563,100
Financing activities – continuing operations		
Net increase (decrease) in deposits and certificates	**4,408**	(5,692)
Net decrease in obligations related to assets sold under repurchase agreements	**(168)**	(410,339)
Net increase in obligations to securitization entities	**604,059**	45,961
Repayment of long-term debt	**–**	(450,000)
Issue of common shares	**12,673**	31,067
Common shares purchased for cancellation	**(153,357)**	(146,909)
Perpetual preferred share dividends paid	**(6,638)**	(6,638)
Common share dividends paid	**(412,742)**	(397,750)
	48,235	(1,340,300)
Investing activities – continuing operations		
Purchase of securities	**(23,675)**	(5,711)
Proceeds from the sale of securities	**25,555**	446,632
Net increase in loans	**(690,755)**	(217,092)
Net additions to capital assets	**(13,209)**	(11,601)
Net cash used in dispositions (acquisitions) and additions to intangible assets	**(2,195)**	(5,074)
	(704,279)	207,154
Decrease in cash and cash equivalents from continuing operations	**(171,781)**	(570,046)
Increase in cash and cash equivalents from discontinued operations *(Note 3)*	**–**	7,226
Cash and cash equivalents from continuing and discontinued operations, beginning of period	**1,052,423**	1,573,626
Cash and cash equivalents, end of period	**880,642**	1,010,806
Less: Cash and cash equivalents from discontinued operations, end of period	**–**	(295,061)
Cash and cash equivalents, end of period – continuing operations	**$ 880,642**	$ 715,745
Cash	**$ 47,476**	$ 94,989
Cash equivalents	**833,166**	620,756
	$ 880,642	$ 715,745
Supplemental disclosure of cash flow information related to operating activities		
Amount of interest and dividends received	**$ 150,341**	$ 153,131
Amount of interest paid during the period	**$ 131,704**	$ 132,947

(See accompanying notes to interim condensed consolidated financial statements.)

Notes to the Interim Condensed Consolidated Financial Statements

SEPTEMBER 30, 2012 *(unaudited) (In thousands of Canadian dollars, except shares and per share amounts)*

1. CORPORATE INFORMATION

IGM Financial Inc. (the Company) is a publicly listed company (TSX: IGM), incorporated and domiciled in Canada. The registered address of the Company is 447 Portage Avenue, Winnipeg, Manitoba, Canada, R3C 3B6. The Company is controlled by Power Financial Corporation.

IGM Financial Inc. is a financial services company which serves the financial needs of Canadians through its principal subsidiaries, each operating distinctly within the advice segment of the financial services market. The Company's principal subsidiaries are Investors Group Inc. and Mackenzie Financial Corporation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The unaudited interim Condensed Consolidated Financial Statements of the Company (Interim Financial Statements) have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, using the same accounting policies as set out in Note 2 to the Consolidated Financial Statements for the year ended December 31, 2011. The Interim Financial Statements should be read in conjunction with the Consolidated Financial Statements in the 2011 IGM Financial Inc. Annual Report.

Changes in accounting policies

IFRS 7 Financial Instruments Disclosures

On January 1, 2012, the Company adopted *Disclosures – Transfers of Financial Assets* (Amendments to IFRS 7). The amendments require additional disclosures related to the Company's securitization transactions (Note 6).

Future accounting changes

The Company continuously monitors the potential changes proposed by the International Accounting Standards Board (IASB) and analyzes the effect that changes in the standards may have on the Company's operations.

IFRS 10 Consolidated Financial Statements

The IASB issued IFRS 10 which introduces a single consolidation model for all entities which focuses on control, including the rights an investor has to variable returns resulting from its involvement with the investee and the investor's ability to affect those returns through its power over the investee. The standard is not expected to have a significant impact on the Company's financial position or results of operations. The standard is applied retroactively and is effective for periods beginning on or after January 1, 2013.

IFRS 12 Disclosures of Interests in Other Entities

The IASB issued IFRS 12 which integrates all of the disclosure requirements for interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities into a single standard. The required disclosures provide information to evaluate the nature of, and risks associated with, an entity's interest in other entities, and the effects of those interests on the entity's financial statements. The standard is expected to result in additional disclosures and is effective for periods beginning on or after January 1, 2013.

IFRS 13 Fair Value Measurement

The IASB issued IFRS 13 to consolidate all the fair value measurement and disclosure guidance into one standard. Fair value is defined as the price that would be received on the sale of an asset or paid to transfer a liability in an orderly transaction between market participants. The standard requires more extensive financial statement disclosure but is not expected to have a significant impact on the Company's financial position or results of operations. The standard is effective on a prospective basis for periods beginning on or after January 1, 2013.

IAS 1 Presentation of Financial Statements

The IASB amended IAS 1 with respect to the presentation of other comprehensive income (OCI). The most significant change resulting from the amendments was a requirement for entities to group items presented in OCI on the basis of whether or not they will be reclassified subsequently to net earnings. The amended standard relates only to presentation and will not have an impact on the Company's financial position or results of operations. The amendments are applied retroactively and are effective for periods beginning on or after January 1, 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Future accounting changes (continued)

IAS 19 Employee Benefits
The IASB issued IAS 19 that amends the measurement, presentation and disclosure requirements for defined benefit plans. The standard is applied retroactively and is effective for periods beginning on or after January 1, 2013. These amendments include:

- The elimination of the deferral and amortization approach (corridor approach) for recognizing actuarial gains and losses in net earnings. Actuarial gains and losses are to be recognized immediately in Other comprehensive income (OCI). Actuarial gains and losses recognized in OCI are not reclassified to net earnings in subsequent periods. This amendment will have no impact on the Company as actuarial gains and losses are currently recognized in OCI.
- Changes in the recognition of past service costs. Past service costs resulting from plan amendments or curtailments are recognized in net earnings in the period in which the plan amendments or curtailment occurs, without regard to vesting.
- The elimination of the concept of an expected return on assets (EROA). Amended IAS 19 requires the use of the discount rate in the place of EROA in the determination of the net interest component of the pension expense.

The adoption of this standard is not expected to have a significant impact on the Company's financial position or results of operations.

3. DISCONTINUED OPERATIONS

On November 16, 2011, the Company completed the sale of 100% of the common shares of M.R.S. Trust Company and M.R.S. Inc. (MRS). Cash consideration was $198.7 million in addition to the repayment of $20 million of subordinated debt and the assumption of the liability related to amounts held on deposit with MRS by Investors Group Securities Inc.

In accordance with IFRS 5 – *Non-Current Assets Held for Sale and Discontinued Operations*, the operating results and cash flows of MRS, which were previously included in the Mackenzie reportable segment, have been classified as discontinued operations.

Net earnings from discontinued operations

	2011	
	THREE MONTHS ENDED SEPTEMBER 30	NINE MONTHS ENDED SEPTEMBER 30
Revenues	$ 10,461	$ 28,697
Expenses	7,206	21,843
Earnings before income taxes	3,255	6,854
Income taxes	(27,740)	(26,164)
Net earnings from discontinued operations	$ 30,995	$ 33,018

Cash flows from discontinued operations

Included within the Company's cash flows are the following amounts attributable to discontinued operations:

	NINE MONTHS ENDED SEPTEMBER 30, 2011
Net cash flows	
Operating activities	$ (55,174)
Financing activities	(55,081)
Investing activities	117,481
Net increase in cash and cash equivalents	$ 7,226

4. SECURITIES

	September 30, 2012		December 31, 2011	
	COST	FAIR VALUE	COST	FAIR VALUE
Available for sale:				
Common shares	**$ –**	**$ –**	$ 4,876	$ 4,876
Proprietary investment funds	**30,389**	**30,934**	30,725	31,173
	30,389	**30,934**	35,601	36,049
Fair value through profit or loss:				
Common shares	**5,695**	**5,754**	–	–
Canada Mortgage Bonds	**220,432**	**226,900**	220,432	227,206
Fixed income securities	**30,459**	**33,519**	30,817	29,177
	256,586	**266,173**	251,249	256,383
	$ 286,975	**$ 297,107**	$ 286,850	$ 292,432

Fair value through profit or loss

Canada Mortgage Bonds

As part of the Company's interest rate risk management activities relating to its mortgage banking operations, Canada Mortgage Bonds were purchased and subsequently sold under repurchase agreements. These activities represent short-term funding transactions whereby the Company sells securities that it owns and commits to repurchase these securities at a specified price on a specified date in the future.

These securities had a fair value of $226.9 million at September 30, 2012 (December 31, 2011 – $227.2 million). The obligation to repurchase the securities is recorded at amortized cost and had a carrying value of $227.1 million (December 31, 2011 – $227.3 million). The interest expense related to these obligations is recorded in Net investment income and other in the Consolidated Statements of Earnings.

Fixed income securities

Fixed income securities of $33.5 million at September 30, 2012 (December 31, 2011 – $29.2 million) were comprised of the restructured notes of the master asset vehicle (MAV) conduits. The Company's valuation of the restructured notes of the MAV conduits was based on its assessment of the prevailing conditions at September 30, 2012.

5. LOANS

	Contractual maturity				
	1 YEAR OR LESS	1 – 5 YEARS	OVER 5 YEARS	SEPTEMBER 30 2012 TOTAL	DECEMBER 31 2011 TOTAL
Loans and receivables					
Residential mortgages	**$ 643,523**	**$ 3,752,265**	**$ 3,736**	**$ 4,399,524**	$ 3,794,613
Less: Collective allowance				**669**	793
				4,398,855	3,793,820
Held for trading				**385,755**	292,109
				$ 4,784,610	$ 4,085,929

Total impaired loans as at September 30, 2012 were $1,710 (December 31, 2011 – $1,078).

Total interest income on loans classified as loans and receivables was $109.4 million (2011 – $110.9 million). Total interest expense on obligations to securitization entities, related to securitized loans, was $71.0 million (2011 – $62.2 million). These amounts were included in Net investment income and other. Net investment income and other also includes mortgage banking related gains on sales and fair value adjustments, and other items.

6. SECURITIZATIONS

The Company securitizes residential mortgages through the Canada Mortgage and Housing Corporation (CMHC) sponsored National Housing Act Mortgage-Backed Securities (NHA MBS) Program and Canada Mortgage Bond (CMB) Program and through Canadian bank-sponsored asset-backed commercial paper (ABCP) programs. These transactions do not meet the requirements for derecognition as the Company retains prepayment risk and certain elements of credit risk. Accordingly, the Company has retained these mortgages on its balance sheets and has recorded an offsetting liability for the net proceeds received as Obligations to securitization entities which is carried at amortized cost.

The Company earns interest on the mortgages and pays interest on the obligations to securitization entities. As part of the CMB transactions, the Company enters into a swap whereby the Company pays coupons on CMBs and receives investment returns on the NHA MBS and the reinvestment of repaid mortgage principal. A component of this swap, related to the obligation to pay CMB coupons and receive investment returns on repaid mortgage principal, is recorded as a derivative and had a negative fair value of $62.1 million at September 30, 2012.

Under the NHA MBS and CMB Program, the Company has an obligation to make timely payments to security holders regardless of whether amounts are received from mortgagors. All mortgages securitized under the NHA MBS and CMB Program are insured by CMHC or another approved insurer under the program. As part of the ABCP transactions, the Company has provided cash reserves for credit enhancement which are carried at cost. Credit risk is limited to these cash reserves and future net interest income as the ABCP Trusts have no recourse to the Company's other assets for failure to make payments when due. Credit risk is further limited to the extent these mortgages are insured.

SEPTEMBER 30, 2012	SECURITIZED MORTGAGES	OBLIGATIONS TO SECURITIZATION ENTITIES	NET
Carrying value			
NHA MBS and CMB Program	$ 3,059,404	$ 3,091,691	$ (32,287)
Bank sponsored ABCP	1,303,412	1,341,608	(38,196)
Total	$ 4,362,816	$ 4,433,299	$ (70,483)
Fair value	$ 4,399,232	$ 4,530,585	$ (131,353)

The carrying value of Obligations to securitization entities, which are recorded net of issue costs, includes principal payments received on securitized mortgages that are not due to be settled until after the reporting period. Issue costs are amortized over the life of the obligation on an effective interest rate basis.

7. SHARE CAPITAL

Authorized

Unlimited number of:

First preferred shares, issuable in series
Second preferred shares, issuable in series
Class 1 non-voting shares
Common shares

Issued and outstanding

	SEPTEMBER 30, 2012		SEPTEMBER 30, 2011	
	SHARES	STATED VALUE	SHARES	STATED VALUE
Perpetual preferred shares:				
First preferred shares, 5.90%, Series B	**6,000,000**	**$ 150,000**	6,000,000	$ 150,000
Common shares:				
Balance, beginning of period	**256,658,488**	**$ 1,578,270**	259,717,507	$ 1,567,725
Issued under Stock Option Plan	**401,940**	**13,798**	1,033,316	32,240
Purchased for cancellation	**(3,785,200)**	**(23,397)**	(3,296,300)	(20,086)
Balance, end of period	**253,275,228**	**$ 1,568,671**	257,454,523	$ 1,579,879

Normal course issuer bid

In the third quarter of 2012, 1,872,900 (2011 – 585,000) shares were purchased at a cost of $72.0 million (2011 – $25.4 million). In the nine months ended September 30, 2012, 3,785,200 (2011 – 3,296,300) shares were purchased at a cost of $153.4 million (2011 – $146.9 million). The premium paid to purchase the shares in excess of the stated value was charged to Retained earnings.

The Company commenced a normal course issuer bid, effective for one year, on April 12, 2012. Pursuant to this bid, the Company may purchase up to 12.8 million or 5% of its common shares outstanding as at March 31, 2012. On April 12, 2011, the Company commenced a normal course issuer bid, effective for one year, authorizing it to purchase up to 12.9 million or 5% of its common shares outstanding as at March 31, 2011.

On October 3, 2012, the Company received regulatory approval to establish an automatic securities purchase plan for its common shares. This plan was established to provide standard instructions regarding how the Company's common shares are to be purchased under its Normal Course Issuer Bid during certain pre-determined trading blackout periods, subject to pre-established parameters. The automatic securities purchase plan commenced on October 4, 2012 and will terminate together with the Normal Course Issuer Bid on April 11, 2013.

8. CAPITAL MANAGEMENT

The capital management policies, procedures and activities of the Company are discussed in the Capital Resources section of the Company's Management's Discussion and Analysis contained in the Third Quarter 2012 Report to Shareholders and have not changed significantly since December 31, 2011.

9. SHARE-BASED PAYMENTS

Stock option plan

	SEPTEMBER 30 2012	DECEMBER 31 2011
Common share options		
– Outstanding	**8,553,947**	8,414,392
– Exercisable	**3,969,578**	3,737,122

In the third quarter of 2012, the Company did not grant options to employees (2011 – nil). In the nine months ended September 30, 2012, the Company granted 1,120,855 options to employees (2011 – 872,085). The weighted-average fair value of options granted during the nine months ended September 30, 2012 has been estimated at $5.23 per option (2011 – $6.59) using the Black-Scholes option pricing model. The weighted-average share price at the grant dates was $45.20. The assumptions used in the valuation model include:

	2012	2011
Exercise price	**$ 45.63**	$ 46.72
Risk-free interest rate	**1.80%**	3.02%
Expected option life	**6 years**	6 years
Expected volatility	**22.00%**	22.00%
Expected dividend yield	**4.71%**	4.39%

Expected volatility has been estimated based on the historic volatility of the Company's share price over six years which is reflective of the expected option life. Options vest over a period of up to 7.5 years from the grant date and are exercisable no later than 10 years after the grant date. A portion of the outstanding options can only be exercised if certain performance targets are met.

10. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Nine months ended September 30	AVAILABLE FOR SALE SECURITIES	INVESTMENT IN AFFILIATE AND OTHER	TOTAL
2012			
Balance, beginning of period	**$ 323**	**$ (2,245)**	**$ (1,922)**
Other comprehensive income (loss)	**64**	**(9,216)**	**(9,152)**
Balance, end of period	**$ 387**	**$ (11,461)**	**$ (11,074)**
2011			
Balance, beginning of period	$ 5,599	$ (3,061)	$ 2,538
Other comprehensive income (loss)	(4,966)	(20,675)	(25,641)
Balance, end of period	$ 633	$ (23,736)	$ (23,103)

11. RISK MANAGEMENT

The risk management policies and procedures of the Company are discussed in the Financial Instruments section of the Company's Management's Discussion and Analysis contained in the Third Quarter 2012 Report to Shareholders and have not changed significantly since December 31, 2011.

12. EARNINGS PER COMMON SHARE

		THREE MONTHS ENDED SEPTEMBER 30			NINE MONTHS ENDED SEPTEMBER 30	
		2012	2011		**2012**	2011
Earnings						
Net earnings from continuing operations		**$ 189,140**	$ 215,247		**$ 565,844**	$ 643,651
Net earnings from discontinued operations		**–**	30,995		**–**	33,018
Net earnings		**189,140**	246,242		**565,844**	676,669
Perpetual preferred share dividends		**2,213**	2,213		**6,638**	6,638
Net earnings available to common shareholders		**$ 186,927**	$ 244,029		**$ 559,206**	$ 670,031
Number of common shares *(in thousands)*						
Average number of common shares outstanding		**254,516**	257,807		**255,636**	258,461
Add:						
– Potential exercise of outstanding stock options		**389**	923		**566**	1,003
Average number of common shares outstanding – diluted basis		**254,905**	258,730		**256,202**	259,464
Earnings per common share *(in dollars)*						
Basic						
From continuing operations available to common shareholders		**$ 0.73**	$ 0.83		**$ 2.19**	$ 2.46
From discontinued operations		**–**	0.12		**–**	0.13
Net earnings available to common shareholders		**$ 0.73**	$ 0.95		**$ 2.19**	$ 2.59
Diluted						
From continuing operations available to common shareholders		**$ 0.73**	$ 0.82		**$ 2.18**	$ 2.46
From discontinued operations		**–**	0.12		**–**	0.12
Net earnings available to common shareholders		**$ 0.73**	$ 0.94		**$ 2.18**	$ 2.58

13. RELATED PARTY TRANSACTIONS

Transactions and balances with related entities

The Company entered into tax loss consolidation transactions with its parent company, Power Financial Corporation, after obtaining advance tax rulings:

- On February 23, 2011, the Company acquired $1.0 billion of 6.01% preferred shares of a wholly-owned subsidiary of Power Financial Corporation. As sole consideration for the preferred shares, the Company issued $1.0 billion of 6.00% secured demand debentures to Power Financial Corporation.
- On January 10, 2012, the Company acquired $250 million of 6.01% preferred shares of a wholly-owned subsidiary of Power Financial Corporation. As sole consideration for the preferred shares, the Company issued $250 million of 6.00% secured demand debentures to Power Financial Corporation.

The Company has legally enforceable rights to settle these financial instruments on a net basis and the Company intends to exercise these rights. Accordingly, the preferred shares and debentures and related dividend income and interest expense are offset in the Consolidated Financial Statements of the Company. Tax savings arise due to the tax deductibility of the interest expense.

14. SEGMENTED INFORMATION

The Company's reportable segments are:

- Investors Group
- Mackenzie
- Corporate and Other

These segments reflect the current organizational structure and internal financial reporting. Management measures and evaluates the performance of these segments based on earnings before interest and taxes.

Investors Group earns fee-based revenues in the conduct of its core business activities which are primarily related to the distribution, management and administration of its mutual funds. It also earns fee revenues from the provision of brokerage services and the distribution of insurance and banking products. In addition, Investors Group earns intermediary revenues primarily from mortgage banking and servicing activities and from the assets funded by deposit and certificate products.

Mackenzie earns fee-based revenues from services it provides as fund manager to its mutual funds and as investment advisor to sub-advisory and institutional accounts.

The operating results of Mackenzie for 2011 exclude discontinued operations (Note 3).

Corporate and Other includes Investment Planning Counsel, equity income from the Company's investment in Great-West Lifeco Inc., net investment income on unallocated investments, other income, and also includes consolidation elimination entries.

				2012
Three months ended September 30	INVESTORS GROUP	MACKENZIE	CORPORATE AND OTHER	TOTAL
Revenues				
Management fees	$ 263,706	$ 156,256	$ 11,540	$ 431,502
Administration fees	54,553	25,912	2,882	83,347
Distribution fees	43,676	4,079	27,405	75,160
Net investment income and other	16,197	2,147	25,709	44,053
	378,132	188,394	67,536	634,062
Expenses				
Commission	119,540	63,452	26,766	209,758
Non-commission	90,483	60,334	10,644	161,461
	210,023	123,786	37,410	371,219
Earnings before undernoted	$ 168,109	$ 64,608	$ 30,126	262,843
Interest expense				23,163
Earnings before income taxes				239,680
Income taxes				50,540
Net earnings				189,140
Perpetual preferred share dividends				2,213
Net earnings available to common shareholders				$ 186,927

14. SEGMENTED INFORMATION *(continued)*

				2011
Three months ended September 30	INVESTORS GROUP	MACKENZIE	CORPORATE AND OTHER	TOTAL
Revenues				
Management fees	$ 282,966	$ 170,409	$ 11,274	$ 464,649
Administration fees	55,561	26,901	2,654	85,116
Distribution fees	46,755	4,529	29,475	80,759
Net investment income and other	20,099	1,289	21,844	43,232
	405,381	203,128	65,247	673,756
Expenses				
Commission	120,939	69,409	28,156	218,504
Non-commission	86,280	58,610	11,142	156,032
	207,219	128,019	39,298	374,536
Earnings before undernoted	$ 198,162	$ 75,109	$ 25,949	299,220
Interest expense				23,198
Earnings before income taxes				276,022
Income taxes				60,775
Net earnings from continuing operations				215,247
Net earnings from discontinued operations				30,995
Net earnings				246,242
Perpetual preferred share dividends				2,213
Net earnings available to common shareholders				$ 244,029

14. SEGMENTED INFORMATION *(continued)*

				2012
Nine months ended September 30	INVESTORS GROUP	MACKENZIE	CORPORATE AND OTHER	TOTAL
Revenues				
Management fees	$ 819,500	$ 477,616	$ 34,541	$ 1,331,657
Administration fees	164,408	79,729	8,447	252,584
Distribution fees	141,734	13,319	85,820	240,873
Net investment income and other	48,055	2,093	69,496	119,644
	1,173,697	572,757	198,304	1,944,758
Expenses				
Commission	365,264	196,402	83,195	644,861
Non-commission	279,614	187,580	34,467	501,661
	644,878	383,982	117,662	1,146,522
Earnings before undernoted	$ 528,819	$ 188,775	$ 80,642	798,236
Interest expense				68,986
Earnings before income taxes				729,250
Income taxes				163,406
Net earnings				565,844
Perpetual preferred share dividends				6,638
Net earnings available to common shareholders				$ 559,206
Identifiable assets	$ 6,081,295	$ 1,316,209	$ 1,672,297	$ 9,069,801
Goodwill	1,347,781	1,168,580	122,593	2,638,954
Total assets	$ 7,429,076	$ 2,484,789	$ 1,794,890	$11,708,755

14. SEGMENTED INFORMATION *(continued)*

				2011
Nine months ended September 30	INVESTORS GROUP	MACKENZIE	CORPORATE AND OTHER	TOTAL
Revenues				
Management fees	$ 879,305	$ 535,390	$ 33,856	$ 1,448,551
Administration fees	171,748	80,904	7,888	260,540
Distribution fees	141,755	15,258	96,663	253,676
Net investment income and other	53,946	2,239	63,864	120,049
	1,246,754	633,791	202,271	2,082,816
Expenses				
Commission	369,496	219,460	91,877	680,833
Non-commission	264,131	182,612	35,386	482,129
	633,627	402,072	127,263	1,162,962
Earnings before undernoted	$ 613,127	$ 231,719	$ 75,008	919,854
Interest expense				79,608
Earnings before income taxes				840,246
Income taxes				196,595
Net earnings from continuing operations				643,651
Net earnings from discontinued operations				33,018
Net earnings				676,669
Perpetual preferred share dividends				6,638
Net earnings available to common shareholders				$ 670,031
Identifiable assets	$ 5,070,012	$ 1,352,130	$ 2,346,943	$ 8,769,085
Goodwill	1,347,781	1,172,749	122,594	2,643,124
Total assets	$ 6,417,793	$ 2,524,879	$ 2,469,537	$ 11,412,209