Interim Condensed Consolidated Financial Statements

Consolidated Statements of Earnings

(unaudited) *(in thousands of Canadian dollars, except shares and per share amounts)*	THREE MONTHS ENDED MARCH 31 **2014**	2013
Revenues		
Management fees	**$ 485,766**	$ 442,870
Administration fees	**95,223**	85,585
Distribution fees	**92,411**	81,445
Net investment income and other	**22,002**	23,465
Proportionate share of affiliate's earnings	**19,444**	19,333
	714,846	652,698
Expenses		
Commission	**243,169**	218,029
Non-commission	**195,777**	177,898
Interest	**22,749**	22,749
	461,695	418,676
Earnings before income taxes	**253,151**	234,022
Income taxes	**56,490**	51,298
Net earnings	**196,661**	182,724
Perpetual preferred share dividends	**2,213**	2,213
Net earnings available to common shareholders	**$ 194,448**	$ 180,511
Average number of common shares *(in thousands) (Note 11)*		
– Basic	**252,368**	251,971
– Diluted	**253,413**	252,455
Earnings per share *(in dollars) (Note 11)*		
– Basic	**$ 0.77**	$ 0.72
– Diluted	**$ 0.77**	$ 0.72

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

Consolidated Statements of Comprehensive Income

(unaudited) *(in thousands of Canadian dollars)*	THREE MONTHS ENDED MARCH 31 **2014**	 2013
Net earnings	**$ 196,661**	$ 182,724
Other comprehensive income (loss), net of tax		
Items that will not be reclassified to Net earnings		
Employee benefits		
Net actuarial gains (losses), *net of tax of $5,552 and $(1,068)*	**(15,016)**	2,885
Investment in affiliate – employee benefits and other		
Other comprehensive income (loss), *net of tax of nil*	**5,756**	–
Items that may be reclassified subsequently to Net earnings		
Available for sale securities		
Net unrealized gains (losses), *net of tax of $(44) and $(389)*	**122**	1,079
Reclassification of realized (gains) losses to net earnings, *net of tax of $40 and $330*	**(111)**	(922)
	11	157
Investment in affiliate and other		
Other comprehensive income (loss), *net of tax of $404 and $(707)*	**15,041**	7,993
	5,792	11,035
Comprehensive income	**$ 202,453**	$ 193,759

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

Consolidated Balance Sheets

(unaudited) *(in thousands of Canadian dollars)*	MARCH 31 2014	DECEMBER 31 2013
Assets		
Cash and cash equivalents	**$ 1,128,153**	$ 1,082,437
Securities	**66,780**	68,735
Accounts and other receivables	**382,661**	367,532
Income taxes recoverable	**56,248**	33,044
Loans *(Note 3)*	**5,920,979**	5,851,500
Derivative financial instruments	**45,938**	57,351
Other assets	**44,594**	35,411
Investment in affiliate	**745,187**	717,775
Capital assets	**118,162**	121,435
Deferred selling commissions	**709,789**	688,230
Deferred income taxes	**61,148**	64,010
Intangible assets	**1,142,092**	1,136,850
Goodwill	**2,656,539**	2,655,859
	$ 13,078,270	$ 12,880,169
Liabilities		
Accounts payable and accrued liabilities	**$ 305,544**	$ 352,257
Income taxes payable	**24,717**	33,099
Derivative financial instruments	**32,500**	35,476
Deposits and certificates	**189,766**	186,420
Other liabilities	**387,318**	365,519
Obligations to securitization entities *(Note 4)*	**5,727,527**	5,572,055
Deferred income taxes	**315,991**	302,748
Long-term debt	**1,325,000**	1,325,000
	8,308,363	8,172,574
Shareholders' Equity		
Share capital		
Perpetual preferred shares	**150,000**	150,000
Common shares	**1,645,947**	1,630,844
Contributed surplus	**31,550**	32,627
Retained earnings	**3,019,577**	2,977,083
Accumulated other comprehensive income (loss)	**(77,167)**	(82,959)
	4,769,907	4,707,595
	$ 13,078,270	$ 12,880,169

These interim condensed consolidated financial statements were approved and authorized for issuance by the Board of Directors on May 9, 2014.

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

Consolidated Statements of Changes in Shareholders' Equity

	THREE MONTHS ENDED MARCH 31					
	SHARE CAPITAL					
(unaudited) *(in thousands of Canadian dollars)*	PERPETUAL PREFERRED SHARES *(Note 5)*	COMMON SHARES *(Note 5)*	CONTRIBUTED SURPLUS	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) *(Note 8)*	TOTAL SHAREHOLDERS' EQUITY
2014						
Balance, beginning of period	**$ 150,000**	**$ 1,630,844**	**$ 32,627**	**$ 2,977,083**	**$ (82,959)**	**$ 4,707,595**
Net earnings	**–**	**–**	**–**	**196,661**	**–**	**196,661**
Other comprehensive income (loss), net of tax	**–**	**–**	**–**	**–**	**5,792**	**5,792**
Total comprehensive income (loss)	**–**	**–**	**–**	**196,661**	**5,792**	**202,453**
Common shares						
Issued under stock option plan	**–**	**17,117**	**–**	**–**	**–**	**17,117**
Purchased for cancellation	**–**	**(2,014)**	**–**	**–**	**–**	**(2,014)**
Stock options						
Current period expense	**–**	**–**	**1,342**	**–**	**–**	**1,342**
Exercised	**–**	**–**	**(2,419)**	**–**	**–**	**(2,419)**
Perpetual preferred share dividends	**–**	**–**	**–**	**(2,213)**	**–**	**(2,213)**
Common share dividends	**–**	**–**	**–**	**(135,657)**	**–**	**(135,657)**
Common share cancellation excess and other *(Note 5)*	**–**	**–**	**–**	**(16,297)**	**–**	**(16,297)**
Balance, end of period	**$ 150,000**	**$ 1,645,947**	**$ 31,550**	**$ 3,019,577**	**$ (77,167)**	**$ 4,769,907**
2013						
Balance, beginning of period	$ 150,000	$ 1,572,573	$ 36,468	$ 2,813,257	$ (132,305)	$ 4,439,993
Net earnings	–	–	–	182,724	–	182,724
Other comprehensive income (loss), net of tax	–	–	–	–	11,035	11,035
Total comprehensive income (loss)	–	–	–	182,724	11,035	193,759
Common shares						
Issued under stock option plan	–	8,260	–	–	–	8,260
Purchased for cancellation	–	(2,649)	–	–	–	(2,649)
Stock options						
Current period expense	–	–	1,251	–	–	1,251
Exercised	–	–	(1,128)	–	–	(1,128)
Perpetual preferred share dividends	–	–	–	(2,213)	–	(2,213)
Common share dividends	–	–	–	(135,401)	–	(135,401)
Common share cancellation excess and other *(Note 5)*	–	–	–	(22,477)	–	(22,477)
Balance, end of period	$ 150,000	$ 1,578,184	$ 36,591	$ 2,835,890	$ (121,270)	$ 4,479,395

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

Consolidated Statements of Cash Flows

(unaudited) *(in thousands of Canadian dollars)*	THREE MONTHS ENDED MARCH 31 2014	2013
Operating activities		
Earnings before income taxes	**$ 253,151**	$ 234,022
Income taxes paid	**(65,252)**	(54,442)
Adjustments to determine net cash from operating activities		
Deferred selling commission amortization	**60,684**	63,885
Amortization of capital and intangible assets	**8,105**	8,168
Changes in operating assets and liabilities and other	**(73,240)**	(56,081)
	183,448	195,552
Deferred selling commissions paid	**(82,243)**	(77,979)
	101,205	117,573
Financing activities		
Net increase in deposits and certificates	**3,346**	7,122
Net increase in obligations related to assets sold under repurchase agreements	**–**	1,457
Net increase in obligations to securitization entities	**155,451**	54,724
Issue of common shares	**14,698**	7,132
Common shares purchased for cancellation	**(16,763)**	(18,534)
Perpetual preferred share dividends paid	**(2,213)**	(2,213)
Common share dividends paid	**(135,612)**	(135,497)
	18,907	(85,809)
Investing activities		
Purchase of securities	**(6,937)**	(31,403)
Proceeds from the sale of securities	**10,696**	31,122
Net increase in loans	**(68,390)**	(58,141)
Net additions to capital assets	**(638)**	(1,237)
Net cash used in acquisitions and additions to intangible assets	**(9,127)**	(4,054)
Investment in affiliate	**–**	(50,115)
	(74,396)	(113,828)
Increase (decrease) in cash and cash equivalents	**45,716**	(82,064)
Cash and cash equivalents, beginning of period	**1,082,437**	1,059,090
Cash and cash equivalents, end of period	**$ 1,128,153**	$ 977,026
Cash	**$ 55,867**	$ 72,696
Cash equivalents	**1,072,286**	904,330
	$ 1,128,153	$ 977,026
Supplemental disclosure of cash flow information related to operating activities		
Interest and dividends received	**$ 55,893**	$ 51,289
Interest paid	**$ 40,287**	$ 35,765

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

Notes to the Interim Condensed Consolidated Financial Statements

MARCH 31, 2014 *(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. 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 accounting policies as set out in Note 2 to the Consolidated Financial Statements for the year ended December 31, 2013. The Interim Financial Statements should be read in conjunction with the Consolidated Financial Statements in the 2013 IGM Financial Inc. Annual Report.

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 9 Financial Instruments

The IASB is currently developing IFRS 9 which will replace IAS 39, the current standard for accounting for financial instruments. The standard is being completed in three separate phases:

- Classification and measurement: This phase requires that financial assets be classified at either amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.
- Impairment methodology: This phase is expected to replace the current incurred loss model for impairment of financial assets with an expected loss model.
- Hedge accounting: This phase replaces the current rule-based hedge accounting requirements in IAS 39 with guidance that more closely aligns the accounting with an entity's risk management activities.

The impact of this new standard will be assessed as the phases of the project are completed. The IASB has tentatively decided to require entities to apply IFRS 9 for annual periods beginning on or after January 1, 2018.

3. LOANS

	CONTRACTUAL MATURITY				
	1 YEAR OR LESS	1 – 5 YEARS	OVER 5 YEARS	MARCH 31 2014 TOTAL	DECEMBER 31 2013 TOTAL
Loans and receivables					
Residential mortgages	**$ 994,544**	**$ 4,693,829**	**$ 4,462**	**$ 5,692,835**	$ 5,527,957
Less: Collective allowance				**728**	728
				5,692,107	5,527,229
Held for trading				**228,872**	324,271
				$ 5,920,979	$ 5,851,500

	MARCH 31 2014	DECEMBER 31 2013
The change in the collective allowance for credit losses is as follows:		
Balance, beginning of period	**$ 728**	$ 669
Recoveries	**(97)**	(113)
Provision for credit losses	**97**	172
Balance, end of period	**$ 728**	$ 728

3. LOANS *(continued)*

Total impaired loans as at March 31, 2014 were $2,687 (December 31, 2013 – $1,846).

Total interest income on loans classified as loans and receivables was $42.0 million (2013 – $37.1 million). Total interest expense on obligations to securitization entities, related to securitized loans, was $30.8 million (2013 – $26.3 million). Gains realized on the sale of residential mortgages totalled $2.9 million (2013 – $5.6 million). Other gains and fair value adjustments related to mortgage banking operations totalled $1.2 million (2013 – $6.4 million). These amounts were included in Net investment income and other. Net investment income and other also includes other mortgage banking related items including interest income on mortgages held for trading, portfolio insurance, issue costs, and other items.

4. 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 transaction 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 $23.6 million at March 31, 2014 (December 31, 2013 – $16.2 million).

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.

MARCH 31, 2014	SECURITIZED MORTGAGES	OBLIGATIONS TO SECURITIZATION ENTITIES	NET
Carrying value			
NHA MBS and CMB Program	**$ 3,912,252**	**$ 3,954,563**	**$ (42,311)**
Bank sponsored ABCP	**1,745,547**	**1,772,964**	**(27,417)**
Total	**$ 5,657,799**	**$ 5,727,527**	**$ (69,728)**
Fair value	**$ 5,824,349**	**$ 5,821,113**	**$ 3,236**
DECEMBER 31, 2013			
Carrying value			
NHA MBS and CMB Program	$ 3,802,648	$ 3,843,383	$ (40,735)
Bank sponsored ABCP	1,688,936	1,728,672	(39,736)
Total	$ 5,491,584	$ 5,572,055	$ (80,471)
Fair value	$ 5,659,082	$ 5,671,379	$ (12,297)

The carrying value of Obligations to securitization entities, which is 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.

5. 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, no par value

Issued and outstanding

	MARCH 31, 2014		MARCH 31, 2013	
	SHARES	STATED VALUE	SHARES	STATED VALUE
Perpetual preferred shares – classified as equity:				
First preferred shares, Series B	**6,000,000**	**$ 150,000**	6,000,000	$ 150,000
Common shares:				
Balance, beginning of period	**252,309,767**	**$ 1,630,844**	252,098,907	$ 1,572,573
Issued under Stock Option Plan *(Note 7)*	**361,124**	**17,117**	227,371	8,260
Purchased for cancellation	**(310,000)**	**(2,014)**	(424,000)	(2,649)
Balance, end of period	**252,360,891**	**$ 1,645,947**	251,902,278	$ 1,578,184

Normal course issuer bid
In the first quarter of 2014, 310,000 shares (2013 – 424,000) shares were purchased at a cost of $16.8 million (2013 – $18.5 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 on April 14, 2014 which is effective until March 19, 2015. Pursuant to this bid, the Company may purchase up to 12.6 million or 5% of its common shares outstanding as at March 31, 2014. On April 12, 2013, the Company commenced a normal course issuer bid, effective for one year, authorizing it to purchase up to 12.6 million or 5% of its common shares outstanding as at March 31, 2013.

In connection with its normal course issuer bid, the Company has established an automatic securities purchase plan for its common shares. The automatic securities purchase plan provides standard instructions regarding how IGM Financial's common shares are to be purchased under its normal course issuer bid during certain pre-determined trading blackout periods. Outside of these pre-determined trading blackout periods, purchases under the Company's normal course issuer bid will be completed based upon management's discretion.

6. 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 First Quarter 2014 Report to Shareholders and have not changed significantly since December 31, 2013.

7. SHARE-BASED PAYMENTS

Stock option plan

	MARCH 31 2014	DECEMBER 31 2013
Common share options		
– Outstanding	**7,803,404**	7,442,999
– Exercisable	**3,422,319**	2,943,693

In the first quarter of 2014, the Company granted 1,024,685 options to employees (2013 – 958,450). The fair value of options granted during the three months ended March 31, 2014 has been estimated at $6.59 per option (2013 – $4.91) using the Black-Scholes option pricing model. The closing share price at the grant date was $54.01. The assumptions used in the valuation model include:

	THREE MONTHS ENDED MARCH 31 2014	2013
Exercise price	**$ 53.81**	$ 44.73
Risk-free interest rate	**1.90%**	1.77%
Expected option life	**6 years**	6 years
Expected volatility	**21.00%**	22.00%
Expected dividend yield	**4.00%**	4.81%

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 once certain performance targets are met.

8. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

MARCH 31, 2014	EMPLOYEE BENEFITS	AVAILABLE FOR SALE SECURITIES	INVESTMENT IN AFFILIATE AND OTHER	TOTAL
Balance, beginning of period	**$ (68,593)**	**$ 420**	**$ (14,786)**	**$ (82,959)**
Other comprehensive income (loss)	**(15,016)**	**11**	**20,797**	**5,792**
Balance, end of period	**$ (83,609)**	**$ 431**	**$ 6,011**	**$ (77,167)**
MARCH 31, 2013				
Balance, beginning of period	$ (92,475)	$ 963	$ (40,793)	$ (132,305)
Other comprehensive income (loss)	2,885	157	7,993	11,035
Balance, end of period	$ (89,590)	$ 1,120	$ (32,800)	$ (121,270)

Amounts are recorded net of tax.

9. RISK MANAGEMENT

The risk management policies and procedures of the Company are discussed in the Financial Instruments Risk section of the Company's Management's Discussion and Analysis contained in the First Quarter 2014 Report to Shareholders and have not changed significantly since December 31, 2013.

10. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair values are management's estimates and are generally calculated using market conditions at a specific point in time and may not reflect future fair values. The calculations are subjective in nature, involve uncertainties and are matters of significant judgment.

All financial instruments measured at fair value and those for which fair value is disclosed are classified into one of three levels that distinguish fair value measurements by the significance of the inputs used for valuation.

Fair value is determined based on the price that would be received for an asset or paid to transfer a liability in the most advantageous market, utilizing a hierarchy of three different valuation techniques, based on the lowest level input that is significant to the fair value measurement in its entirety.

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Observable inputs other than Level 1 quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or inputs other than quoted prices that are observable or corroborated by observable market data; and

Level 3 – Unobservable inputs that are supported by little or no market activity. Valuation techniques are primarily model-based.

Markets are considered inactive when transactions are not occurring with sufficient regularity. Inactive markets may be characterized by a significant decline in the volume and level of observed trading activity or through large or erratic bid/offer spreads. In those instances where traded markets are not considered sufficiently active, fair value is measured using valuation models which may utilize predominantly observable market inputs (Level 2) or may utilize predominantly non-observable market inputs (Level 3). Management considers all reasonably available information including indicative broker quotations, any available pricing for similar instruments, recent arms length market transactions, any relevant observable market inputs, and internal model-based estimates. Management exercises judgment in determining the most appropriate inputs and the weighting ascribed to each input as well as in the selection of valuation methodologies.

Fair value is determined using the following methods and assumptions:

Securities are valued using quoted prices from active markets, when available. When a quoted market price is not readily available, valuation techniques are used that require assumptions related to discount rates and the timing and amount of future cash flows. Wherever possible, observable market inputs are used in the valuation techniques.

Loans classified as Level 2 are valued using market interest rates for loans with similar credit risk and maturity.

Loans classified as Level 3 are valued by discounting the expected future cash flows at prevailing market yields.

Obligations to securitization entities are valued by discounting the expected future cash flows at prevailing market yields for securities issued by these securitization entities having similar terms and characteristics.

Deposits and certificates are valued by discounting the contractual cash flows using market interest rates currently offered for deposits with similar terms and credit risks.

Long-term debt is valued using quoted prices for each debenture available in the market.

Derivative financial instruments are valued based on quoted market prices, where available, prevailing market rates for instruments with similar characteristics and maturities, or discounted cash flow analysis.

Level 1 assets include exchange-traded equity securities and open-end investment fund units in instances where there are quoted prices available from active markets.

Level 2 assets and liabilities include loans, derivative financial instruments, deposits and certificates and long-term debt. The fair value of derivative financial instruments and deposits and certificates are determined using valuation models, discounted cash flow methodologies, or similar techniques using primarily observable market inputs. The fair value of long-term debt is determined using indicative broker quotes.

Level 3 assets and liabilities include securities with little or no trading activity valued using broker-dealer quotes, loans, obligations to securitization entities and derivative financial instruments. Derivative financial instruments consist of principal reinvestment account swaps which represent the component of a swap entered into under the CMB Program

10. FAIR VALUE OF FINANCIAL INSTRUMENTS *(continued)*

whereby the Company pays coupons on Canada Mortgage Bonds and receives investment returns on the reinvestment of repaid mortgage principal. Fair value is determined by discounting the projected cashflows of the swaps. The notional amount, which is an input used to determine the fair value of the swap, is determined using an average unobservable prepayment rate of 15% which is based on historical prepayment patterns. An increase (decrease) in the assumed mortgage prepayment rate increases (decreases) the notional amount of the swap.

The following table presents the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. The table distinguishes between those financial instruments recorded at fair value and those recorded at amortized cost. The table also excludes fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. These items include cash and cash equivalents, accounts and other receivables, certain other financial assets, accounts payable and accrued liabilities, repurchase agreements, and certain other financial liabilities.

		FAIR VALUE			
	CARRYING VALUE	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
MARCH 31, 2014					
Financial assets recorded at fair value					
Securities					
– Available for sale	**$ 3,562**	**$ 3,562**	**$ –**	**$ –**	**$ 3,562**
– Held for trading	**63,218**	**60,722**	**999**	**1,497**	**63,218**
Loans					
– Held for trading	**228,872**	**–**	**228,872**	**–**	**228,872**
Derivative financial instruments	**45,938**	**–**	**43,260**	**2,678**	**45,938**
Financial assets recorded at amortized cost					
Loans					
– Loans and receivables	**5,692,107**	**–**	**35,305**	**5,824,349**	**5,859,654**
Financial liabilities recorded at fair value					
Derivative financial instruments	**32,500**	**–**	**6,226**	**26,274**	**32,500**
Financial liabilities recorded at amortized cost					
Deposits and certificates	**189,766**	**–**	**191,244**	**–**	**191,244**
Obligations to securitization entities	**5,727,527**	**–**	**–**	**5,821,113**	**5,821,113**
Long-term debt	**1,325,000**	**–**	**1,622,877**	**–**	**1,622,877**
DECEMBER 31, 2013					
Financial assets recorded at fair value					
Securities					
– Available for sale	$ 4,113	$ 4,113	$ –	$ –	$ 4,113
– Held for trading	64,622	62,216	960	1,446	64,622
Loans					
– Held for trading	324,271	–	324,271	–	324,271
Derivative financial instruments	57,351	–	48,946	8,405	57,351
Financial assets recorded at amortized cost					
Loans					
– Loans and receivables	5,527,229	–	35,958	5,659,082	5,695,040
Financial liabilities recorded at fair value					
Derivative financial instruments	35,476	–	10,908	24,568	35,476
Financial liabilities recorded at amortized cost					
Deposits and certificates	186,420	–	187,941	–	187,941
Obligations to securitization entities	5,572,055	–	–	5,671,379	5,671,379
Long-term debt	1,325,000	–	1,577,807	–	1,577,807

There were no significant transfers between Level 1 and Level 2 in 2014 and 2013.

10. FAIR VALUE OF FINANCIAL INSTRUMENTS *(continued)*

The following table provides a summary of changes in Level 3 assets and liabilities measured at fair value on a recurring basis.

	BALANCE JANUARY 1	GAINS/ (LOSSES) INCLUDED IN NET EARNINGS(1)	PURCHASES AND ISSUANCES	SETTLEMENTS	TRANSFERS IN/OUT	BALANCE MARCH 31
MARCH 31, 2014						
Assets						
Securities						
– Held for trading	**$ 1,446**	**$ –**	**$ 51**	**$ –**	**$ –**	**$ 1,497**
Liabilities						
Derivative financial instruments, net	**16,163**	**(12,642)**	**(626)**	**4,583**	**–**	**23,596**
MARCH 31, 2013						
Assets						
Securities						
– Held for trading	$ 840	$ (45)	$ 100	$ –	$ –	$ 895
Liabilities						
Derivative financial instruments, net	56,245	(624)	(42)	4,170	–	52,657

(1) Included in Net investment income in the Consolidated Statements of Earnings.

11. EARNINGS PER COMMON SHARE

	THREE MONTHS ENDED MARCH 31 2014	2013
Earnings		
Net earnings	**$ 196,661**	$ 182,724
Perpetual preferred share dividends	**2,213**	2,213
Net earnings available to common shareholders	**$ 194,448**	$ 180,511
Number of common shares *(in thousands)*		
Average number of common shares outstanding		
Add:	**252,368**	251,971
– Potential exercise of outstanding stock options	**1,045**	484
Average number of common shares outstanding – diluted basis	**253,413**	252,455
Earnings per common share *(in dollars)*		
Basic	**$ 0.77**	$ 0.72
Diluted	**$ 0.77**	$ 0.72

12. RELATED PARTY TRANSACTIONS

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

- The Company acquired $1.25 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 $1.25 billion of 6.00% secured demand debentures to Power Financial Corporation. Effective December 31, 2013, the Company exercised its legally enforceable right to settle the preferred shares and the debenture on a net basis.
- On January 7, 2014, the Company acquired $1.67 billion of 4.51% preferred shares of a wholly-owned subsidiary of Power Financial Corporation. As sole consideration for the preferred shares, the Company issued $1.67 billion of 4.50% 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.

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.

13. 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 investment 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 investment funds and as investment advisor to sub-advisory and institutional accounts.

Corporate and Other includes Investment Planning Counsel, equity income from its investment in Lifeco, net investment income on unallocated investments, other income, and also includes consolidation elimination entries.

13. SEGMENTED INFORMATION *(continued)*

Three months ended March 31	INVESTORS GROUP	MACKENZIE	CORPORATE AND OTHER	TOTAL 2014
Revenues				
Management fees	$ 300,682	$ 171,720	$ 13,364	$ 485,766
Administration fees	66,009	26,045	3,169	95,223
Distribution fees	48,495	3,214	40,702	92,411
Net investment income and other	13,243	1,359	26,844	41,446
	428,429	202,338	84,079	714,846
Expenses				
Commission	130,457	73,780	38,932	243,169
Non-commission	109,943	70,800	15,034	195,777
	240,400	144,580	53,966	438,946
Earnings before undernoted	$ 188,029	$ 57,758	$ 30,113	275,900
Interest expense				22,749
Earnings before income taxes				253,151
Income taxes				56,490
Net earnings				196,661
Perpetual preferred share dividends				2,213
Net earnings available to common shareholders				$ 194,448
Identifiable assets	$ 7,048,431	$ 1,343,281	$ 2,030,019	$10,421,731
Goodwill	1,347,781	1,168,580	140,178	2,656,539
Total assets	$ 8,396,212	$ 2,511,861	$ 2,170,197	$13,078,270

13. SEGMENTED INFORMATION *(continued)*

				2013
Three months ended March 31	INVESTORS GROUP	MACKENZIE	CORPORATE AND OTHER	TOTAL
Revenues				
Management fees	$ 270,141	$ 161,321	$ 11,408	$ 442,870
Administration fees	57,555	25,382	2,648	85,585
Distribution fees	46,472	3,795	31,178	81,445
Net investment income and other	18,428	1,694	22,676	42,798
	392,596	192,192	67,910	652,698
Expenses				
Commission	121,084	66,566	30,379	218,029
Non-commission	99,297	66,642	11,959	177,898
	220,381	133,208	42,338	395,927
Earnings before undernoted	$ 172,215	$ 58,984	$ 25,572	256,771
Interest expense				22,749
Earnings before income taxes				234,022
Income taxes				51,298
Net earnings				182,724
Perpetual preferred share dividends				2,213
Net earnings available to common shareholders				$ 180,511
Identifiable assets	$ 6,291,014	$ 1,335,625	$ 1,793,975	$ 9,420,614
Goodwill	1,347,781	1,168,580	122,593	2,638,954
Total assets	$ 7,638,795	$ 2,504,205	$ 1,916,568	$ 12,059,568