CONSOLIDATED STATEMENTS OF EARNINGS

(unaudited) *(in thousands of Canadian dollars, except shares and per share amounts)*	THREE MONTHS ENDED MARCH 31 2017	2016
Revenues		
Management fees	$ 527,701	$ 483,836
Administration fees	108,964	100,350
Distribution fees	105,260	94,968
Net investment income and other	19,757	15,877
Proportionate share of affiliate's earnings	28,019	27,808
	789,701	722,839
Expenses		
Commission	289,307	261,515
Non-commission	246,901	227,867
Interest	26,787	22,913
	562,995	512,295
Earnings before income taxes	226,706	210,544
Income taxes	47,374	41,368
Net earnings	179,332	169,176
Perpetual preferred share dividends	2,213	2,213
Net earnings available to common shareholders	$ 177,119	$ 166,963
Average number of common shares *(in thousands) (Note 13)*		
– Basic	240,542	243,127
– Diluted	240,817	243,211
Earnings per share *(in dollars) (Note 13)*		
– Basic	$ 0.74	$ 0.69
– Diluted	$ 0.74	$ 0.69

(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 2017	2016
Net earnings	$ 179,332	$ 169,176
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 $2,939 and $8,198*	(7,948)	(22,168)
Investment in affiliate – employee benefits and other		
Other comprehensive income (loss), *net of tax of nil*	13,590	4,164
Items that may be reclassified subsequently to Net earnings		
Available for sale securities		
Net unrealized gains (losses), *net of tax of $(193) and $(193)*	1,007	520
Reclassification of realized (gains) losses to net earnings, *net of tax of $7 and $10*	(19)	(26)
	988	494
Investment in affiliate and other		
Other comprehensive income (loss), *net of tax of $(1,663) and $(756)*	6,333	9,411
	12,963	(8,099)
Total comprehensive income	$ 192,295	$ 161,077

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

CONSOLIDATED BALANCE SHEETS

(unaudited) *(in thousands of Canadian dollars)*	MARCH 31 2017	DECEMBER 31 2016
Assets		
Cash and cash equivalents	$ 1,202,873	$ 611,032
Securities	224,136	225,184
Client funds on deposit	431,532	455,474
Accounts and other receivables	262,967	287,071
Income taxes recoverable	27,232	13,627
Loans *(Note 3)*	7,886,301	7,983,269
Derivative financial instruments	46,946	42,821
Other assets *(Note 5)*	265,793	240,509
Investment in affiliate	911,343	888,851
Capital assets	161,529	161,337
Deferred selling commissions	749,098	726,608
Deferred income taxes	64,539	61,454
Intangible assets	1,271,569	1,267,789
Goodwill	2,660,267	2,660,267
	$ 16,166,125	$ 15,625,293
Liabilities		
Accounts payable and accrued liabilities	$ 367,017	$ 431,049
Income taxes payable	2,249	3,393
Derivative financial instruments	30,515	38,163
Deposits and certificates	451,295	471,202
Other liabilities	474,278	447,943
Obligations to securitization entities *(Note 4)*	7,650,464	7,721,024
Deferred income taxes	461,111	440,759
Long-term debt *(Note 6)*	1,925,000	1,325,000
	11,361,929	10,878,533
Shareholders' Equity		
Share capital		
Perpetual preferred shares	150,000	150,000
Common shares	1,599,169	1,597,208
Contributed surplus	40,354	39,552
Retained earnings	3,084,152	3,042,442
Accumulated other comprehensive income (loss)	(69,479)	(82,442)
	4,804,196	4,746,760
	$ 16,166,125	$ 15,625,293

These interim condensed consolidated financial statements were approved and authorized for issuance by the Board of Directors on May 5, 2017.

(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 7)*	COMMON SHARES *(Note 7)*	CONTRIBUTED SURPLUS	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) *(Note 10)*	TOTAL SHAREHOLDERS' EQUITY
2017						
Balance, beginning of period	**$ 150,000**	**$ 1,597,208**	**$ 39,552**	**$ 3,042,442**	**$ (82,442)**	**$ 4,746,760**
Net earnings	–	–	–	179,332	–	179,332
Other comprehensive income (loss), net of tax	–	–	–	–	12,963	12,963
Total comprehensive income	–	–	–	179,332	12,963	192,295
Common shares						
Issued under stock option plan	–	1,961	–	–	–	1,961
Stock options						
Current period expense	–	–	906	–	–	906
Exercised	–	–	(104)	–	–	(104)
Perpetual preferred share dividends	–	–	–	(2,213)	–	(2,213)
Common share dividends	–	–	–	(135,329)	–	(135,329)
Common share cancellation excess and other *(Note 7)*	–	–	–	(80)	–	(80)
Balance, end of period	**$ 150,000**	**$ 1,599,169**	**$ 40,354**	**$ 3,084,152**	**$ (69,479)**	**$ 4,804,196**
2016						
Balance, beginning of period	$ 150,000	$ 1,623,948	$ 35,569	$ 2,949,182	$ (31,994)	$ 4,726,705
Net earnings	–	–	–	169,176	–	169,176
Other comprehensive income (loss), net of tax	–	–	–	–	(8,099)	(8,099)
Total comprehensive income	–	–	–	169,176	(8,099)	161,077
Common shares						
Issued under stock option plan	–	410	–	–	–	410
Purchased for cancellation	–	(19,850)	–	–	–	(19,850)
Stock options						
Current period expense	–	–	1,026	–	–	1,026
Exercised	–	–	(22)	–	–	(22)
Perpetual preferred share dividends	–	–	–	(2,213)	–	(2,213)
Common share dividends	–	–	–	(136,077)	–	(136,077)
Common share cancellation excess and other *(Note 7)*	–	–	–	(83,886)	–	(83,886)
Balance, end of period	$ 150,000	$ 1,604,508	$ 36,573	$ 2,896,182	$ (40,093)	$ 4,647,170

(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 2017	2016
Operating activities		
Earnings before income taxes	$ 226,706	$ 210,544
Income taxes paid	(43,770)	(77,914)
Adjustments to determine net cash from operating activities		
Deferred selling commission amortization	58,893	59,791
Amortization of capital and intangible assets	11,630	10,526
Changes in operating assets and liabilities and other	(55,405)	(98,648)
	198,054	104,299
Deferred selling commissions paid	(81,383)	(73,835)
	116,671	30,464
Financing activities		
Net increase (decrease) in deposits and certificates	718	(39)
Net (decrease) increase in obligations to securitization entities	(74,004)	65,244
Issue of debentures	600,000	–
Issue of common shares	1,857	388
Common shares purchased for cancellation	–	(104,337)
Perpetual preferred share dividends paid	(2,213)	(2,213)
Common share dividends paid	(135,290)	(137,752)
	391,068	(178,709)
Investing activities		
Purchase of securities	(27,034)	(24,896)
Proceeds from the sale of securities	25,450	10,756
Net decrease (increase) in loans	99,618	(183,455)
Net additions to capital assets	(5,989)	(13,078)
Net cash used in additions to intangible assets and acquisitions	(7,943)	(17,003)
	84,102	(227,676)
Increase (decrease) in cash and cash equivalents	591,841	(375,921)
Cash and cash equivalents, beginning of period	611,032	983,005
Cash and cash equivalents, end of period	$ 1,202,873	$ 607,084
Cash	$ 65,945	$ 44,655
Cash equivalents	1,136,928	562,429
	$ 1,202,873	$ 607,084
Supplemental disclosure of cash flow information related to operating activities		
Interest and dividends received	$ 67,227	$ 62,246
Interest paid	$ 48,348	$ 40,709

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2017 *(unaudited) (In thousands of Canadian dollars, except shares and per share amounts)*

NOTE 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 wholly-owned principal subsidiaries are Investors Group Inc. and Mackenzie Financial Corporation.

NOTE 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, 2016. The Interim Financial Statements should be read in conjunction with the Consolidated Financial Statements in the 2016 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 issued IFRS 9 which replaces IAS 39, *Financial Instruments: Recognition and Measurement*, the current standard for accounting for financial instruments. The standard was 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 replaces 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 transition to IFRS 9 is managed by a committee comprised of senior levels of management. Periodic reporting on the progress against plan is provided to this committee and other affected stakeholders within the Company. To date, the Company's efforts have been focused on updating accounting policies to address key aspects of the Standard including classification and measurement of financial instruments, reviewing the impact to its impairment models and assessing the use of hedge accounting under IFRS 9.

The combined application of the contractual cash flow characteristics and business model tests as at January 1, 2018 may result in some assets currently classified as held for trading under IAS 39 being reclassified to fair value through other comprehensive income or amortized cost under IFRS 9. At this stage, it is not possible to reliably quantify the potential financial effect to the Company from the adoption of IFRS 9.

The Company will update accounting policy manuals, internal control documents and implement changes to business and financial reporting processes and systems to support the implementation of the Standard by its effective date of January 1, 2018.

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

The IASB issued IFRS 15 which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The model requires an entity to recognize revenue as the goods or services are transferred to the customer in an amount that reflects the expected consideration. This standard is effective for annual reporting periods beginning on or after January 1, 2018 and the impact of the standard is currently being assessed.

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

IFRS 16 LEASES

The IASB issued IFRS 16 which requires a lessee to recognize a right-of-use asset representing its right to use the underlying leased asset and a corresponding lease liability representing its obligation to make lease payments for all leases. A lessee recognizes the related expense as depreciation on the right-of-use asset and interest on the lease liability. Short-term (less than 12 months) and low-value asset leases are exempt from these requirements. The standard is effective for annual reporting periods beginning on or after January 1, 2019. The impact of this standard is currently being assessed.

NOTE 3 LOANS

	CONTRACTUAL MATURITY				
	1 YEAR OR LESS	1 – 5 YEARS	OVER 5 YEARS	MARCH 31 2017 TOTAL	DECEMBER 31 2016 TOTAL
Loans and receivables					
Residential mortgages	$ 1,209,550	$ 6,405,909	$ 1,081	$ 7,616,540	$ 7,644,525
Less: Collective allowance				713	722
				7,615,827	7,643,803
Held for trading				270,474	339,466
				$ 7,886,301	$ 7,983,269

The change in the collective allowance for credit losses is as follows:		
Balance, beginning of year	$ 722	$ 705
Write-offs, net of recoveries	(171)	(502)
Provision for credit losses	162	519
Balance, end of period	$ 713	$ 722

Total impaired loans as at March 31, 2017 were $3,411 (December 31, 2016 – $2,607).

Total interest income on loans classified as loans and receivables was $49.8 million (2016 – $46.6 million). Total interest expense on obligations to securitization entities, related to securitized loans, was $33.2 million (2016 – $31.5 million). Gains realized on the sale of residential mortgages totalled $2.1 million (2016 – $2.7 million). Fair value adjustments related to mortgage banking operations totalled negative $1.3 million (2016 – negative $1.8 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.

NOTE 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 offsetting liabilities for the net proceeds received as Obligations to securitization entities which are recorded at amortized cost.

NOTE 4 SECURITIZATIONS *(continued)*

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 $22.4 million at March 31, 2017 (December 31, 2016 – negative $23.1 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 recorded 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, 2017	SECURITIZED MORTGAGES	OBLIGATIONS TO SECURITIZATION ENTITIES	NET
Carrying value			
NHA MBS and CMB Program	**$ 4,880,162**	**$ 4,894,599**	**$ (14,437)**
Bank sponsored ABCP	**2,705,883**	**2,755,865**	**(49,982)**
Total	**$ 7,586,045**	**$ 7,650,464**	**$ (64,419)**
Fair value	**$ 7,786,038**	**$ 7,790,472**	**$ (4,434)**
DECEMBER 31, 2016			
Carrying value			
NHA MBS and CMB Program	$ 4,942,474	$ 4,987,298	$ (44,824)
Bank sponsored ABCP	2,672,817	2,733,726	(60,909)
Total	$ 7,615,291	$ 7,721,024	$ (105,733)
Fair value	$ 7,838,295	$ 7,873,118	$ (34,823)

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.

NOTE 5 OTHER ASSETS

	MARCH 31 2017	DECEMBER 31 2016
China Asset Management Co., Ltd.	**$ 193,195**	$ 193,463
Deferred and prepaid expenses	**51,651**	43,428
Other	**20,947**	3,618
	$ 265,793	$ 240,509

As at March 31, 2017, Other assets included a loan of $15.0 million that was provided to Wealthsimple Financial Corporation during the quarter. Subsequent to March 31, 2017, the Company increased its investment in Wealthsimple by a total of $42.6 million including the conversion of the $15.0 million loan to equity.

NOTE 6 LONG-TERM DEBT

On January 26, 2017, the Company issued $400 million of 10 year, 3.44% debentures and $200 million of 30 year, 4.56% debentures. The net proceeds will be used by the Company to finance a substantial portion of the announced acquisition of an equity interest in China Asset Management Co. Ltd., and for general corporate purposes.

NOTE 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, no par value

ISSUED AND OUTSTANDING

	MARCH 31, 2017		MARCH 31, 2016	
	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	**240,515,968**	**$ 1,597,208**	244,788,138	$ 1,623,948
Issued under Stock Option Plan	**67,955**	**1,961**	14,526	410
Purchased for cancellation	**–**	**–**	(2,991,900)	(19,850)
Balance, end of period	**240,583,923**	**$ 1,599,169**	241,810,764	$ 1,604,508

NORMAL COURSE ISSUER BID

In the first quarter of 2017, there were no shares purchased (2016 – 2,991,900 shares purchased at a cost of $104.3 million). Any premium paid to purchase the shares in excess of the stated value is charged to Retained earnings.

The Company commenced a normal course issuer bid on March 20, 2017 which is effective until March 19, 2018. Pursuant to this bid, the Company may purchase up to 12.0 million or 5% of its common shares outstanding as at February 28, 2017. On March 20, 2016, the Company commenced a normal course issuer bid, effective until March 19, 2017, which authorized it to purchase up to 12.1 million or 5% of its common shares outstanding as at March 10, 2016.

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 the Company'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.

NOTE 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 First Quarter 2017 Report to Shareholders and in Note 17 to the Consolidated Financial Statements in the 2016 IGM Financial Inc. Annual Report and have not changed significantly since December 31, 2016.

NOTE 9 SHARE-BASED PAYMENTS

STOCK OPTION PLAN

	MARCH 31 2017	DECEMBER 31 2016
Common share options		
– Outstanding	**9,252,963**	8,484,030
– Exercisable	**4,150,734**	3,858,518

In the first quarter of 2017, the Company granted 1,396,455 options to employees (2016 – 1,575,595). The weighted-average fair value of options granted during the three months ended March 31, 2017 has been estimated at $2.53 per option (2016 – $1.61) using the Black-Scholes option pricing model. The weighted-average closing share price at the grant dates was $41.71. The assumptions used in these valuation models include:

	THREE MONTHS ENDED MARCH 31	
	2017	2016
Exercise price	**$ 41.74**	$ 34.94
Risk-free interest rate	**1.53%**	0.96%
Expected option life	**6 years**	6 years
Expected volatility	**17.00%**	18.00%
Expected dividend yield	**5.39%**	6.44%

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.

NOTE 10 ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

MARCH 31, 2017	EMPLOYEE BENEFITS	AVAILABLE FOR SALE SECURITIES	INVESTMENT IN AFFILIATE AND OTHER	TOTAL
Balance, beginning of period	**$ (110,913)**	**$ 8,617**	**$ 19,854**	**$ (82,442)**
Other comprehensive income (loss)	**(7,948)**	**988**	**19,923**	**12,963**
Balance, end of period	**$ (118,861)**	**$ 9,605**	**$ 39,777**	**$ (69,479)**
MARCH 31, 2016				
Balance, beginning of period	$ (111,874)	$ 2,658	$ 77,222	$ (31,994)
Other comprehensive income (loss)	(22,168)	494	13,575	(8,099)
Balance, end of period	$ (134,042)	$ 3,152	$ 90,797	$ (40,093)

Amounts are recorded net of tax.

NOTE 11 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 2017 Report to Shareholders and in Note 20 to the Consolidated Financial Statements in the 2016 IGM Financial Inc. Annual Report and have not changed significantly since December 31, 2016.

NOTE 12 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair values are management's estimates and are 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 arm's 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 and other financial assets and financial liabilities 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 financial instruments include exchange-traded equity securities and open-end investment fund units and other financial liabilities in instances where there are quoted prices available from active markets.

Level 2 assets and liabilities include fixed income securities, loans, derivative financial instruments, deposits and certificates and long-term debt. The fair value of fixed income securities is determined using quoted market prices or independent dealer price quotes. 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, other financial assets, 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 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, and certain other financial liabilities.

		FAIR VALUE			
	CARRYING VALUE	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
MARCH 31, 2017					
Financial assets recorded at fair value					
Securities					
– Available for sale	$ 170,228	$ 16,897	$ –	$ 153,331	$ 170,228
– Held for trading	53,908	51,874	697	1,337	53,908
Loans					
– Held for trading	270,474	–	270,474	–	270,474
Derivative financial instruments	46,946	–	44,724	2,222	46,946
Financial assets recorded at amortized cost					
Loans					
– Loans and receivables	7,615,827	–	30,693	7,786,038	7,816,731
Financial liabilities recorded at fair value					
Derivative financial instruments	30,515	–	5,907	24,608	30,515
Other financial liabilities	8,348	8,291	57	–	8,348
Financial liabilities recorded at amortized cost					
Deposits and certificates	451,295	–	452,381	–	452,381
Obligations to securitization entities	7,650,464	–	–	7,790,472	7,790,472
Long-term debt	1,925,000	–	2,235,287	–	2,235,287
DECEMBER 31, 2016					
Financial assets recorded at fair value					
Securities					
– Available for sale	$ 158,380	$ 6,431	$ –	$ 151,949	$ 158,380
– Held for trading	66,804	63,049	2,317	1,438	66,804
Loans					
– Held for trading	339,466	–	339,466	–	339,466
Derivative financial instruments	42,821	–	39,976	2,845	42,821
Financial assets recorded at amortized cost					
Loans					
– Loans and receivables	7,643,803	–	29,452	7,838,295	7,867,747
Financial liabilities recorded at fair value					
Derivative financial instruments	38,163	–	12,263	25,900	38,163
Other financial liabilities	9,781	9,770	11	–	9,781
Financial liabilities recorded at amortized cost					
Deposits and certificates	471,202	–	472,219	–	472,219
Obligations to securitization entities	7,721,024	–	–	7,873,118	7,873,118
Long-term debt	1,325,000	–	1,610,942	–	1,610,942

NOTE 12 FAIR VALUE OF FINANCIAL INSTRUMENTS *(continued)*

There were no significant transfers between Level 1 and Level 2 in 2017 and 2016.

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)	GAINS/(LOSSES) INCLUDED IN OTHER COMPREHENSIVE INCOME(2)	PURCHASES AND ISSUANCES	SETTLEMENTS	BALANCE MARCH 31
MARCH 31, 2017						
Assets						
Securities						
– Available for sale	**$ 151,949**	**$ –**	**$ 962**	**$ 420**	**$ –**	**$ 153,331**
– Held for trading	**1,438**	**(101)**	**–**	**–**	**–**	**1,337**
Liabilities						
Derivative financial instruments, net	**23,055**	**(3,502)**	**–**	**36**	**4,207**	**22,386**
MARCH 31, 2016						
Assets						
Securities						
– Available for sale	$ 9,273	$ –	$ –	$ –	$ –	$ 9,273
– Held for trading	1,288	(10)	–	–	–	1,278
Liabilities						
Derivative financial instruments, net	47,414	(8,006)	–	1,157	4,075	52,502

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

(2) Included in Available for sale securities – Net unrealized gains (losses) in the Consolidated Statements of Comprehensive Income.

There were no transfers in or out of Level 3 in 2017 or 2016.

NOTE 13 EARNINGS PER COMMON SHARE

	THREE MONTHS ENDED MARCH 31	
	2017	2016
Earnings		
Net earnings	**$ 179,332**	$ 169,176
Perpetual preferred share dividends	**2,213**	2,213
Net earnings available to common shareholders	**$ 177,119**	$ 166,963
Number of common shares *(in thousands)*		
Average number of common shares outstanding	**240,542**	243,127
Add: Potential exercise of outstanding stock options(1)	**275**	84
Average number of common shares outstanding – Diluted basis	**240,817**	243,211
Earnings per common share *(in dollars)*		
Basic	**$ 0.74**	$ 0.69
Diluted	**$ 0.74**	$ 0.69

(1) Excludes 962 thousand shares in 2017 related to outstanding stock options that were anti-dilutive (2016 – 2,291 thousand).

NOTE 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 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.

2017

THREE MONTHS ENDED MARCH 31	INVESTORS GROUP	MACKENZIE	CORPORATE AND OTHER	TOTAL
Revenues				
Management fees	$ 341,071	$ 171,761	$ 14,869	$ 527,701
Administration fees	79,868	24,400	4,696	108,964
Distribution fees	57,108	2,339	45,813	105,260
Net investment income and other	18,026	80	29,670	47,776
	496,073	198,580	95,048	789,701
Expenses				
Commission	169,556	74,585	45,166	289,307
Non-commission	147,759	82,526	16,616	246,901
	317,315	157,111	61,782	536,208
Earnings before undernoted	$ 178,758	$ 41,469	$ 33,266	253,493
Interest expense				26,787
Earnings before income taxes				226,706
Income taxes				47,374
Net earnings				179,332
Perpetual preferred share dividends				2,213
Net earnings available to common shareholders				$ 177,119
Identifiable assets	$ 9,491,761	$ 1,300,493	$ 2,713,604	$ 13,505,858
Goodwill	1,347,781	1,168,580	143,906	2,660,267
Total assets	$ 10,839,542	$ 2,469,073	$ 2,857,510	$ 16,166,125

NOTE 14 SEGMENTED INFORMATION *(continued)*

2016

THREE MONTHS ENDED MARCH 31	INVESTORS GROUP	MACKENZIE	CORPORATE AND OTHER	TOTAL
Revenues				
Management fees	$ 308,218	$ 160,491	$ 15,127	$ 483,836
Administration fees	73,618	22,384	4,348	100,350
Distribution fees	49,878	2,563	42,527	94,968
Net investment income and other	13,777	318	29,590	43,685
	445,491	185,756	91,592	722,839
Expenses				
Commission	147,388	71,675	42,452	261,515
Non-commission	135,029	77,627	15,211	227,867
	282,417	149,302	57,663	489,382
Earnings before undernoted	$ 163,074	$ 36,454	$ 33,929	233,457
Interest expense				22,913
Earnings before income taxes				210,544
Income taxes				41,368
Net earnings				169,176
Perpetual preferred share dividends				2,213
Net earnings available to common shareholders				$ 166,963
Identifiable assets	$ 9,033,130	$ 1,304,134	$ 1,794,122	$ 12,131,386
Goodwill	1,347,781	1,168,580	143,906	2,660,267
Total assets	$ 10,380,911	$ 2,472,714	$ 1,938,028	$ 14,791,653