



Consolidated Financial Statements

***For the Nine Months Ended
September 30, 2008***

IGM FINANCIAL INC.**Consolidated Statements of Income**

<i>(unaudited)</i> <i>(in thousands of dollars, except shares and per share amounts)</i>	Three months ended September 30		Nine months ended September 30	
	2008	2007	2008	2007
Fee and net investment income				
Management	\$ 476,929	\$ 531,636	\$ 1,470,898	\$ 1,573,938
Administration	88,098	90,740	265,001	259,173
Distribution	70,598	64,620	218,680	188,732
Net investment income and other	49,335	43,833	166,118	151,647
Total fee and net investment income	684,960	730,829	2,120,697	2,173,490
Operating expenses				
Commission expense	230,053	237,970	699,850	705,625
Non-commission expense	155,377	154,994	485,288	466,303
Interest expense	22,176	22,221	66,156	66,108
Total operating expenses	407,606	415,185	1,251,294	1,238,036
Income before income taxes, non-controlling interest and proportionate share of affiliate's gain	277,354	315,644	869,403	935,454
Income taxes	78,352	96,424	242,184	288,365
Income before non-controlling interest and proportionate share of affiliate's gain	199,002	219,220	627,219	647,089
Non-controlling interest	308	823	1,224	2,289
Net income before proportionate share of affiliate's gain	198,694	218,397	625,995	644,800
Proportionate share of affiliate's gain (Note 3)	-	-	25,003	-
Net income	\$ 198,694	\$ 218,397	\$ 650,998	\$ 644,800
Average number of common shares (in thousands) (Note 13)				
- Basic	263,185	264,399	263,635	264,725
- Diluted	264,768	267,217	265,357	267,468
Earnings per share (in dollars) (Note 13)				
Excluding proportionate share of affiliate's gain				
- Basic	\$ 0.75	\$ 0.83	\$ 2.37	\$ 2.44
- Diluted	\$ 0.75	\$ 0.82	\$ 2.36	\$ 2.41
Including proportionate share of affiliate's gain				
- Basic	\$ 0.75	\$ 0.83	\$ 2.47	\$ 2.44
- Diluted	\$ 0.75	\$ 0.82	\$ 2.45	\$ 2.41

(See accompanying notes to interim consolidated financial statements.)

IGM FINANCIAL INC.**Consolidated Balance Sheets**

<i>(unaudited)</i> <i>(in thousands of dollars)</i>	September 30 2008	December 31 2007
Assets		
Cash and cash equivalents	\$ 1,125,821	\$ 1,180,284
Securities (Note 2)	517,216	696,279
Loans	834,017	553,947
Investment in affiliate	617,292	560,683
Deferred selling commissions	965,393	989,784
Other assets	554,382	465,089
Intangible assets	1,025,828	1,028,731
Goodwill	2,659,419	2,383,798
	\$ 8,299,368	\$ 7,858,595
Liabilities		
Deposits and certificates	\$ 903,664	\$ 856,895
Bankers' acceptances (Note 5)	273,251	-
Other liabilities	910,185	863,961
Future income taxes	392,976	414,756
Long-term debt	1,200,000	1,200,000
Preferred shares (Note 6)	360,000	360,000
	4,040,076	3,695,612
Shareholders' Equity		
Common shares	1,510,350	1,504,290
Contributed surplus	27,148	22,175
Retained earnings	2,840,279	2,678,618
Accumulated other comprehensive loss	(118,485)	(42,100)
	4,259,292	4,162,983
	\$ 8,299,368	\$ 7,858,595

(See accompanying notes to interim consolidated financial statements.)

IGM FINANCIAL INC.**Consolidated Statements of Changes in Shareholders' Equity**

<i>(unaudited)</i> <i>(in thousands of dollars)</i>	Three months ended September 30		Nine months ended September 30	
	2008	2007	2008	2007
Common shares (Note 6)				
Balance, beginning of period	\$ 1,506,538	\$ 1,503,128	\$ 1,504,290	\$ 1,493,954
Issued under stock option plan	12,916	959	21,401	15,497
Purchased for cancellation	(9,104)	(1,648)	(15,341)	(7,012)
Balance, end of period	<u>1,510,350</u>	<u>1,502,439</u>	<u>1,510,350</u>	<u>1,502,439</u>
Contributed surplus				
Balance, beginning of period	25,631	18,194	22,175	15,339
Stock options				
Current period expense	2,053	2,135	6,009	6,125
Exercised	(536)	(85)	(1,036)	(1,220)
Balance, end of period	<u>27,148</u>	<u>20,244</u>	<u>27,148</u>	<u>20,244</u>
Retained earnings				
Balance, beginning of period				
As previously reported	2,832,972	2,488,815	2,678,618	2,308,380
Reclassification to accumulated other comprehensive income	-	-	-	39,777
As restated	<u>2,832,972</u>	<u>2,488,815</u>	<u>2,678,618</u>	<u>2,348,157</u>
Net income	198,694	218,397	650,998	644,800
Common dividends	(134,581)	(121,548)	(391,677)	(348,016)
Common share cancellation excess and other (Note 6)	(56,806)	(12,938)	(97,660)	(72,215)
Balance, end of period	<u>2,840,279</u>	<u>2,572,726</u>	<u>2,840,279</u>	<u>2,572,726</u>
Accumulated other comprehensive income (loss) (Note 9)				
Balance, beginning of period	(71,139)	26,879	(42,100)	(39,777)
Change in accounting policy	-	-	-	46,339
Other comprehensive income (loss)	(47,346)	(35,839)	(76,385)	(15,522)
Balance, end of period	<u>(118,485)</u>	<u>(8,960)</u>	<u>(118,485)</u>	<u>(8,960)</u>
Total Shareholders' Equity	<u>\$ 4,259,292</u>	<u>\$ 4,086,449</u>	<u>\$ 4,259,292</u>	<u>\$ 4,086,449</u>

(See accompanying notes to interim consolidated financial statements.)

IGM FINANCIAL INC.**Consolidated Statements of Comprehensive Income**

<i>(unaudited)</i> <i>(in thousands of dollars)</i>	Three months ended September 30		Nine months ended September 30	
	2008	2007	2008	2007
Net income	\$ 198,694	\$ 218,397	\$ 650,998	\$ 644,800
Other comprehensive income (loss), net of tax (Note 9)				
Net unrealized gains (losses) on available for sale securities:				
Unrealized gains (losses)	(28,497)	(5,135)	(48,707)	13,296
Reclassification adjustment for (gains) losses included in net income	(4,604)	(6,096)	(22,928)	(62,230)
	(33,101)	(11,231)	(71,635)	(48,934)
Net unrealized gains (losses) on cash flow hedges				
Unrealized gains (losses)	-	-	-	1,952
Reclassification adjustment for (gain) loss included in net income	-	-	-	33,083
	-	-	-	35,035
Other comprehensive income (loss) (OCI) related to investment in affiliate	(14,245)	(24,608)	(4,750)	(1,623)
Other comprehensive income (loss)	(47,346)	(35,839)	(76,385)	(15,522)
Comprehensive income	\$ 151,348	\$ 182,558	\$ 574,613	\$ 629,278

(See accompanying notes to interim consolidated financial statements.)

IGM FINANCIAL INC.**Consolidated Statements of Cash Flows**

<i>(unaudited)</i> <i>(in thousands of dollars)</i>	Three months ended September 30		Nine months ended September 30	
	2008	2007	2008	2007
Operating activities				
Net income	\$ 198,694	\$ 218,397	\$ 650,998	\$ 644,800
Adjustments to determine net cash from operating activities				
Future income taxes	(11,606)	(8,299)	(9,954)	3,815
Commission amortization	81,544	83,627	244,134	246,232
Amortization of capital and intangible assets	6,802	6,889	20,084	18,256
Proportionate share of affiliate's gain (Note 3)	-	-	(25,003)	-
Changes in operating assets and liabilities and other	37,593	2,011	(133,673)	(94,691)
	313,027	302,625	746,586	818,412
Commissions paid	(54,538)	(74,704)	(219,743)	(274,335)
	258,489	227,921	526,843	544,077
Financing activities				
Net increase in deposits and certificates	7,717	28,266	46,769	28,498
Increase in short-term borrowings	-	99,836	-	99,836
Net proceeds on bankers' acceptances (Note 5)	273,251	-	273,251	-
Issue of common shares	12,381	874	20,366	14,277
Common dividends paid	(128,436)	(113,155)	(378,625)	(331,752)
Common shares purchased for cancellation	(66,164)	(14,884)	(113,509)	(63,737)
	98,749	937	(151,748)	(252,878)
Investing activities				
Acquisition of Saxon Financial Inc., less cash and cash equivalents acquired	(250,290)	-	(250,290)	-
Purchase of securities	(3,791)	(241,237)	(100,255)	(518,731)
Proceeds from the sale of securities	91,085	62,881	225,444	112,162
Net increase in loans	(415,434)	(420,394)	(1,196,997)	(1,191,465)
Proceeds from securitizations (Note 4)	198,564	427,239	917,600	1,085,117
Net additions to capital assets	(7,816)	(4,786)	(24,917)	(12,406)
Other	-	(338)	(143)	(473)
	(387,682)	(176,635)	(429,558)	(525,796)
(Decrease) increase in cash and cash equivalents	(30,444)	52,223	(54,463)	(234,597)
Cash and cash equivalents, beginning of period	1,156,265	1,038,648	1,180,284	1,325,468
Cash and cash equivalents, end of period	\$ 1,125,821	\$ 1,090,871	\$ 1,125,821	\$ 1,090,871
Cash	\$ 92,296	\$ 102,804	\$ 92,296	\$ 102,804
Cash equivalents	1,033,525	988,067	1,033,525	988,067
	\$ 1,125,821	\$ 1,090,871	\$ 1,125,821	\$ 1,090,871
Supplemental disclosure of cash flow information				
Amount of interest paid during the period	\$ 22,068	\$ 21,957	\$ 86,791	\$ 87,534
Amount of income taxes paid during the period	\$ 48,946	\$ 77,539	\$ 334,988	\$ 308,135

(See accompanying notes to interim consolidated financial statements.)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 (unaudited)

(in thousands of dollars, except shares and per share amounts)

1. Significant accounting policies

The interim unaudited Consolidated Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles, using the same accounting policies as set out in Note 1 to the Consolidated Financial Statements for the year ended December 31, 2007, except as noted below. These interim unaudited Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and Notes thereto in the Company's Annual Report dated December 31, 2007.

Changes in accounting policies

On January 1, 2008, the Company adopted CICA 1535, Capital Disclosures. This standard requires the disclosure of information related to the objectives, policies and processes for managing capital.

On January 1, 2008, the Company adopted CICA 3862, Financial Instruments – Disclosures and CICA 3863, Financial Instruments – Presentation, replacing CICA 3861. CICA 3862 requires enhanced disclosure of the nature and extent of the risks arising from financial instruments and how the Company manages those risks. CICA 3863 carries forward unchanged the presentation requirements of CICA 3861 with respect to financial instruments.

Future accounting changes

On January 1, 2009, the Company will adopt CICA 3064, Goodwill and Intangible Assets. This standard contains revised guidance for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The adoption of this standard is not expected to have a significant impact on the Company's financial position or results of operations.

The Canadian Accounting Standards Board (AcSB) has confirmed its plan to adopt all International Financial Reporting Standards, as published by the International Accounting Standards Board, on or by January 1, 2011. The Company will adopt all of the International Financial Reporting Standards in accordance with the AcSB's plan. The impact of the adoption of these standards is not known at this time.

Comparative figures

Certain comparative figures have been reclassified to conform with the current period's financial statement presentation.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
 SEPTEMBER 30, 2008 (unaudited)

(in thousands of dollars, except shares and per share amounts)

2. Securities

	<u>September 30, 2008</u>		<u>December 31, 2007</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Common shares	\$ 519,065	\$ 449,332	\$ 614,102	\$ 626,719
Investments in proprietary mutual funds	33,918	32,593	26,981	29,269
Fixed income securities	35,291	35,291	40,291	40,291
	<u>\$ 588,274</u>	<u>\$ 517,216</u>	<u>\$ 681,374</u>	<u>\$ 696,279</u>

Common shares are classified as available for sale and therefore unrealized gains and losses not designated as part of a hedging relationship are recorded in Other comprehensive income until realized. As at September 30, 2008, net unrealized losses on common shares were \$69.7 million which was comprised of unrealized gains of \$18.1 million and unrealized losses of \$87.8 million. Unrealized gains and losses on common shares net of effective hedges were \$28.5 million and \$79.4 million respectively and are reported in Accumulated other comprehensive income. Common shares are measured periodically, or more frequently when conditions warrant, to determine whether there is objective evidence of an other-than-temporary impairment in value. Changes in fair value were mainly caused by market price fluctuations. The Company has the ability and intent to hold these securities for a period of time sufficient to allow for any recovery of their fair value. As at September 30, 2008, the Company concluded that the gross unrealized losses were temporary.

Fixed income securities are comprised of non-bank-sponsored asset-backed commercial paper (ABCP). The Company's original investment in ABCP totalled \$50.2 million. The Company reduced the fair value of the ABCP to \$35.3 million by recording charges totalling \$9.9 million in 2007 and \$2.5 million in the second quarter of 2008, and a further \$2.5 million in the current quarter.

On December 23, 2007, the Pan-Canadian Investors Committee (the Committee), consisting of major investors, announced a proposed restructuring of the ABCP. Investors received an Information Statement on March 20, 2008 which provided details on the proposed restructuring and the types and quantities of notes that will be issued to investors. A vote of the holders of the ABCP approving the restructuring occurred on April 25, 2008, and on June 25, 2008 a court order sanctioning the restructuring of the ABCP was made pursuant to the Companies' Creditors Arrangement Act (CCAA). The sanction order was appealed by certain holders of the ABCP, however on September 19, 2008, the Supreme Court of Canada denied the appeal. The Committee expects that the replacement notes will be issued by the end of November 2008.

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 (unaudited)**

(in thousands of dollars, except shares and per share amounts)

2. Securities (continued)

The proposed restructuring plan extends the maturity of the ABCP to provide for a maturity similar to that of the underlying assets. Trusts with ABCP supported in whole or in part by synthetic assets will pool their assets and note holders will receive senior Class A-1 and Class A-2 and subordinated Class B and Class C long-term floating rate notes. Trusts with ABCP supported by assets that have an exposure to US mortgages and sub-prime mortgages for which the credit quality is uncertain, will be restructured on a series-by-series basis, with each series maintaining its separate exposure to its own assets. Note holders with exposure to this asset class will receive IA Tracking long-term floating rate notes.

Based on the details provided in the Information Statement, a significant portion of the Company's investment in ABCP is represented by a combination of leveraged collateralized debt, synthetic assets and traditional securitized assets. On restructuring, the Company's allocation of senior Class A-1 and Class A-2 long-term floating rate notes will represent in excess of 75% of the Company's original investment in ABCP. The senior notes were assigned a provisional rating of AA by the Dominion Bond Rating Service and have a maturity date of December 2016.

The Company's valuation of the ABCP was based on its assessment of the prevailing conditions at September 30, 2008. The estimated fair value reflects the allocation of the floating rate notes the Company expects to receive having a duration of approximately 7 years. The Company estimated the fair value of the senior and subordinated notes by discounting the expected cash flows at yields comparable to prevailing market yields and credit spreads available for securities with similar characteristics to the restructured notes and other market inputs reflecting the Company's best available information. The fair value of the IA Tracking long-term floating rate notes was estimated using observable market inputs from independent pricing sources or by discounted expected cash flows reflecting the Company's best available information, including reference to prevailing market yields on debt instruments in the Canadian market.

The Canadian market for non-bank-sponsored ABCP has not had a significant impact on the Company's operations or financial condition. As at September 30, 2008, an increase in the estimated discount rates of 100 basis points would reduce net income by \$2.5 million.

3. Proportionate share of affiliate's gain

In the second quarter of 2008, the Company's affiliate, Great-West Lifeco Inc. (Lifeco), recorded an after-tax gain on the sale of its healthcare business, Great-West Healthcare. Lifeco reported the gain in Net income from discontinued operations in the Summary of Consolidated Operations included in Lifeco's interim Consolidated Financial Statements. The Company's proportionate share of the after-tax gain on the sale was \$25.0 million.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 (unaudited)

(in thousands of dollars, except shares and per share amounts)

4. Securitizations

The Company securitizes residential mortgages through Canadian bank or Government of Canada sponsored securitization trusts. During the second quarter, the Company began issuing mortgage-backed securities (MBS). MBS are sold to a trust that issues securities to investors through the Canada Mortgage Bond Program (CMB Program), which is sponsored by the Canada Mortgage and Housing Corporation. Pre-tax gains (losses) on the sale of mortgages are reported in Net investment income and other in the Consolidated Statements of Income.

Securitization activities for the three and nine month periods ended September 30, 2008 and 2007 were as follows:

	Three months ended September 30		Nine months ended September 30	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Residential mortgages securitized	\$ 199,811	\$ 431,227	\$ 922,641	\$ 1,095,641
Net cash proceeds	198,564	427,239	917,600	1,085,117
Fair value of retained interests	7,429	7,602	31,342	21,300
Pre-tax gain on sales	4,260	274	18,412	2,397

5. Bankers' acceptances

A Schedule I Canadian chartered bank has provided the Company with a committed non-revolving bridge credit facility related to the acquisition of Saxon Financial Inc. The balance of the credit facility is due on October 27, 2009. The Company has the option to extend the maturity date to April 2010. Interest rates on the credit facility fluctuate with Canadian bankers' acceptances.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
 SEPTEMBER 30, 2008 (unaudited)

(in thousands of dollars, except shares and per share amounts)

6. Share capital

Issued and outstanding

	September 30, 2008		September 30, 2007	
	Shares	Stated Value	Shares	Stated Value
First preferred shares, Series A	14,400,000	\$ 360,000	14,400,000	\$ 360,000
Common shares				
Balance, beginning of period	264,192,998	\$ 1,504,290	264,865,938	\$ 1,493,954
Issued under Stock Option Plan	919,857	21,401	610,468	15,497
Purchased for cancellation	(2,679,800)	(15,341)	(1,235,900)	(7,012)
Balance, end of period	262,433,055	\$ 1,510,350	264,240,506	\$ 1,502,439

Normal course issuer bid

The Company commenced a normal course issuer bid, effective for one year, on March 22, 2008. Under this bid, the Company may purchase up to 13.2 million or 5% of its common shares outstanding as at March 14, 2008. In the third quarter of 2008, 1,587,500 shares were purchased at a cost of \$66.2 million, and during the nine months ended September 30, 2008, 2,679,800 shares were purchased at a cost of \$113.5 million. The premium paid to purchase the shares in excess of the stated value was charged to Retained earnings.

On March 22, 2007, the Company commenced a normal course issuer bid, effective for one year, authorizing it to purchase up to 13.3 million or 5% of its common shares outstanding as at March 14, 2007. In the third quarter of 2007, 290,000 shares were purchased at a cost of \$14.9 million, and during the nine months ended September 30, 2007, 1,235,900 shares were purchased at a cost of \$63.7 million. The premium paid to purchase the shares in excess of the stated value was charged to Retained earnings.

7. Capital management

The Company's capital management objective is to maximize shareholder returns while ensuring that the Company is capitalized in a manner which appropriately supports regulatory requirements, working capital needs and business expansion. The Company's capital management practices are focused on preserving the quality of its financial position by maintaining a solid capital base and a strong balance sheet. Capital of the Company consists of long-term debt, preferred shares and shareholders' equity.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 (unaudited)

(in thousands of dollars, except shares and per share amounts)

7. Capital management (continued)

The Company's capital is primarily utilized in its ongoing business operations to support working capital requirements, long-term investments made by the Company, business expansion and other strategic objectives. Subsidiaries subject to regulatory capital requirements include trust companies, securities dealers and mutual fund dealers. The Company's subsidiaries have complied with all regulatory capital requirements.

Capital management activities for the nine months ended September 30, 2008 included: the repurchase of 2,679,800 common shares at a cost of \$113.5 million under the normal course issuer bid (Note 6); and the declaration of preferred share dividends of \$15.5 million and common share dividends of \$391.7 million. Changes in common share capital are reflected in the Consolidated Statements of Changes in Shareholders' Equity. Long-term debt of \$1.2 billion and preferred shares of \$360 million remain unchanged.

8. Risk management

The Company actively manages its liquidity, credit and market risks.

Liquidity risk related to financial instruments

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due.

A key liquidity requirement for the Company is the funding of commissions paid on the sale of mutual funds. Commissions paid continue to be fully funded through ongoing cash flow from operations.

The Company also maintains sufficient liquidity to fund and temporarily hold mortgages. Through its mortgage operations, these mortgages are sold to third parties, including Canadian bank or Government of Canada sponsored securitization trusts, private placements, and a mutual fund managed by Investors Group. During the second quarter of 2008, the Company expanded its funding sources for residential mortgages through the creation and sale of mortgage-backed securities (MBS) sold through the CMB Program (Note 4). All mortgages are sold on a fully-serviced basis. The Company's continued ability to fund residential mortgages through Canadian bank-sponsored securitization trusts and MBS is dependent on securitization market conditions that are subject to change.

Liquidity requirements for trust subsidiaries which engage in financial intermediary activities are based on policies approved by the investment and conduct review committees of their respective Boards of Directors. As at September 30, 2008, liquidity for the trust subsidiaries was in compliance with these policies.

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 (unaudited)**

(in thousands of dollars, except shares and per share amounts)

8. Risk management (continued)

Liquidity risk related to financial instruments (continued)

The Company's contractual maturities were as follows:

As at September 30, 2008 (\$ millions)	Demand	Less than 1 Year	1-5 Years	After 5 Years	Total
Deposits and certificates	\$ 679.8	\$ 93.8	\$ 124.8	\$ 5.3	\$ 903.7
Long-term debt	-	-	450.0	750.0	1,200.0
Bankers' acceptances	-	-	273.3	-	273.3
Other liabilities	-	105.5	47.7	-	153.2
Operating leases ⁽¹⁾	-	36.9	109.6	97.4	243.9
Total contractual obligations	<u>\$ 679.8</u>	<u>\$ 236.2</u>	<u>\$ 1,005.4</u>	<u>\$ 852.7</u>	<u>\$ 2,774.1</u>

⁽¹⁾ Includes office space and equipment used in the normal course of business.
Lease payments are charged to earnings in the period of use.

In addition to IGM Financial's current balance of cash and cash equivalents, other potential sources of liquidity include the Company's lines of credit and portfolio of securities. The Company maintains uncommitted operating lines of credit totalling \$260 million and committed operating lines of credit totalling \$150 million with various Schedule I Canadian chartered banks. As at September 30, 2008, the Company had utilized \$100.0 million of its operating lines of credit.

In connection with the acquisition of Saxon Financial Inc. (Note 5) on September 25, 2008, the Company established a committed non-revolving bridge credit facility with a Schedule I bank totalling \$300 million. At September 30, 2008, the Company had utilized \$273.3 million. The balance of the credit facility is due October 27, 2009 but may, at the Company's option, be extended to April 2010.

The Company can access the domestic debt and equity markets to raise capital. However, its ability to access capital markets to raise funds is dependent on market conditions.

Management believes cash flows from operations, available cash balances and other sources of liquidity described above will be sufficient to fund the Company's liquidity needs. The Company's liquidity position and its management of liquidity risk have not changed materially since December 31, 2007.

Credit risk related to financial instruments

Credit risk is the potential for financial loss to the Company if a counterparty in a transaction fails to meet its obligations. The Company's cash and cash equivalents, securities holdings, mortgage and personal loan portfolios, and derivatives are subject to credit risk. The Company monitors its credit risk management policies continuously to evaluate their effectiveness.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 (unaudited)

(in thousands of dollars, except shares and per share amounts)

8. Risk management (continued)

Credit risk related to financial instruments (continued)

Cash and cash equivalents consist primarily of highly liquid temporary deposits with Canadian chartered banks, debt securities issued by the Canadian and provincial governments, bankers' acceptances and commercial paper. All non-bank-sponsored ABCP, which totalled \$35.3 million net of impairment charges and represents the maximum exposure to credit risk at September 30, 2008, is included in Securities. Refer to Note 2 for information related to the valuation of ABCP. The Company regularly reviews the credit ratings of its counterparties. The maximum exposure to credit risk on these financial instruments is their carrying value. The Company mitigates credit risk on these financial instruments by adhering to its Investment Policy that outlines credit risk parameters and concentration limits.

The Company regularly reviews the credit quality of the mortgage and personal loan portfolios and the adequacy of the general allowance. As at September 30, 2008 mortgages and personal loans totalled \$519.8 million and \$322.2 million, respectively. The allowance for credit losses of \$8.0 million at September 30, 2008 exceeded impaired mortgages and personal loans by \$7.7 million. As at September 30, 2008, the mortgage portfolios were geographically diverse, 100% residential and 52% insured. The credit risk on the personal loan portfolio is mitigated through the use of collateral, primarily in the form of mutual fund investments. Non-performing loans in both the mortgage and personal loan portfolios have not increased from December 31, 2007 levels. The characteristics of the mortgage and personal loan portfolios have not changed materially since December 31, 2007.

The Company regularly reviews the credit quality of the mortgage loans securitized through bank-sponsored (Schedule I Chartered banks) or Government of Canada sponsored securitization trusts. The maximum exposure to credit risk attributable to securitized mortgage loans is equal to the value of the retained interests in the securitized loans, which was \$106.9 million at September 30, 2008.

The Company also regularly reviews the credit ratings of derivative financial instrument counterparties. Derivative contracts are either exchange traded or negotiated in the over-the-counter market on a diversified basis with Schedule I and Schedule II Chartered banks or Canadian bank-sponsored securitization trusts that are also counterparties to the Company's securitization transactions. The exposure to credit risk, which is limited to the fair value of those instruments which were in a gain position, was \$74.3 million at September 30, 2008. This does not give effect to any netting agreements or collateral arrangements.

The Company's exposure to and management of credit risk have not changed materially since December 31, 2007.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 (unaudited)

(in thousands of dollars, except shares and per share amounts)

8. Risk management (continued)

Market risk related to financial instruments

Market risk is the potential for loss to the Company from changes in the values of its financial instruments due to changes in interest rates, foreign exchange rates or equity prices. The Company's financial instruments are generally denominated in Canadian dollars, and do not have significant exposure to changes in foreign exchange rates.

The Company is exposed to interest rate risk on its loan portfolio and on certain of the derivative financial instruments used in the Company's mortgage banking and intermediary operations. The objective of the Company's asset liability management is to control interest rate risk by actively managing its interest rate exposure. As at September 30, 2008, the total gap between one-year deposit assets and liabilities was within the Company's stated guidelines. The Company utilizes interest rate swaps in order to reduce the impact of fluctuating interest rates on its mortgage banking and intermediary operations, including exposures arising from interest rate swaps related to securitization arrangements. As at September 30, 2008, the impact of a 100-basis point change in interest rates to Net income would have been \$1.4 million.

The Company is exposed to equity price risk on its securities holdings and on certain of its derivative financial instruments. The Company adheres to an Investment Policy that outlines the objectives, constraints and parameters relating to its investing activities. This policy prescribes limits around the quality and concentration of investments held by the Company. The Company manages its exposure to equity price risk on its corporate securities portfolio by using a variety of derivative instruments including options and forward contracts. Management regularly reviews the Company's investments to ensure all activities are in adherence to the Investment Policy. In addition, common shares are measured periodically, or more frequently when conditions warrant, to determine whether there is objective evidence of an other-than-temporary impairment in value. Changes in fair value were mainly caused by market price fluctuations. The Company has the ability and intent to hold these securities for a period of time sufficient to allow for any recovery of their fair value. As at September 30, 2008, the Company concluded that the gross unrealized losses were temporary.

The Company's securities holdings are classified as available for sale, therefore unrealized gains and losses on securities not designated as part of a hedging relationship are recorded in Other comprehensive income until realized. As at September 30, 2008, the impact of a 10% decrease in the value of the Company's securities portfolio would have been a \$33.6 million unrealized loss recorded in Other comprehensive income.

The Company's exposure to and management of interest rate and other price risk have not changed materially since December 31, 2007.

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(in thousands of dollars, except shares and per share amounts)

8. Risk management (continued)

Market risk related to assets under management

Risks related to the performance of the equity markets, changes in interest rates and changes in foreign currencies relative to the Canadian dollar can have a significant impact on the level and mix of assets under management.

Changes in assets under management directly impact earnings as discussed more fully in the Investors Group and Mackenzie Segment Operating Results in the Company's Management Discussion and Analysis contained in the Third Quarter 2008 Report to Shareholders.

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9. Accumulated other comprehensive income (loss)

<u>Three months ended September 30</u>	<u>Net Unrealized Gains (Losses), Net of Tax</u>			<u>Total</u>
	<u>Available for Sale Securities</u>	<u>Cash Flow Hedges</u>	<u>OCI related to investment in Affiliate and Other</u>	
2008				
Balance, beginning of period	\$ (20,200)	\$ -	\$ (50,939)	\$ (71,139)
Other comprehensive income (loss)	<u>(33,101)</u>	<u>-</u>	<u>(14,245)</u>	<u>(47,346)</u>
Balance, end of period	<u>\$ (53,301)</u>	<u>\$ -</u>	<u>\$ (65,184)</u>	<u>\$ (118,485)</u>
2007				
Balance, beginning of period	\$ 43,671	\$ -	\$ (16,792)	\$ 26,879
Other comprehensive income (loss)	<u>(11,231)</u>	<u>-</u>	<u>(24,608)</u>	<u>(35,839)</u>
Balance, end of period	<u>\$ 32,440</u>	<u>\$ -</u>	<u>\$ (41,400)</u>	<u>\$ (8,960)</u>
Net Unrealized Gains (Losses), Net of Tax				
<u>Nine months ended September 30</u>	<u>Available for Sale Securities</u>	<u>Cash Flow Hedges</u>	<u>OCI related to investment in Affiliate and Other</u>	<u>Total</u>
2008				
Balance, beginning of period	\$ 18,334	\$ -	\$ (60,434)	\$ (42,100)
Other comprehensive income (loss)	<u>(71,635)</u>	<u>-</u>	<u>(4,750)</u>	<u>(76,385)</u>
Balance, end of period	<u>\$ (53,301)</u>	<u>\$ -</u>	<u>\$ (65,184)</u>	<u>\$ (118,485)</u>
2007				
Balance, beginning of period	\$ -	\$ -	\$ (39,777)	\$ (39,777)
Change in accounting policy	81,374	(35,035)	-	46,339
Other comprehensive income (loss)	<u>(48,934)</u>	<u>35,035</u>	<u>(1,623)</u>	<u>(15,522)</u>
Balance, end of period	<u>\$ 32,440</u>	<u>\$ -</u>	<u>\$ (41,400)</u>	<u>\$ (8,960)</u>

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10. Income taxes on components of other comprehensive income (loss)

	Three months ended September 30		Nine months ended September 30	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Net unrealized gains (losses) on available for sale securities	\$ 5,437	\$ 2,317	\$ 11,946	\$ 11,186
Net unrealized gains (losses) on cash flow hedges	-	-	-	(7,519)
Total income tax recovery (expense)	<u>\$ 5,437</u>	<u>\$ 2,317</u>	<u>\$ 11,946</u>	<u>\$ 3,667</u>

11. Stock-based compensation

	<u>September 30 2008</u>	<u>December 31 2007</u>
Common share options		
- Outstanding	9,091,120	9,085,730
- Exercisable	4,734,115	4,768,705

In the third quarter of 2008, the Company granted 96,596 options to employees (2007 – nil). In the nine months ended September 30, 2008, the company granted 1,164,866 options to employees (2007 – 1,565,820). A portion of the options granted to employees are subject to performance targets. The weighted-average fair value of time vesting options granted during the nine months ended September 30, 2008 has been estimated at \$5.30 per option (2007 - \$8.64) using the Black-Scholes option pricing model. The weighted-average fair value of performance based options granted during the nine months ended September 30, 2008 has been estimated at \$1.62 per option (2007 - \$4.63) using a barrier option pricing model. The assumptions used in these valuation models include: (i) risk-free interest rate of 3.27% (2007 – 3.97%), (ii) expected option life of six years (2007 – six years), (iii) expected volatility of 20.00% (2007 – 20.00%) and (iv) expected dividend yield of 4.53% (2007 – 3.36%).

The Company recorded compensation expense related to its stock option program of \$1.8 million (2007 - \$2.0 million) in the third quarter and \$5.5 million (2007 – \$5.6 million) for the nine months ended September 30, 2008.

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12. Employee future benefits

The Company recorded pension and other post-retirement benefits expense as follows:

	Three months ended September 30		Nine months ended September 30	
	2008	2007	2008	2007
Pension expense	\$ (645)	\$ (342)	\$ (1,937)	\$ (716)
Other post-retirement benefits expense	1,297	1,216	3,893	3,655
Total	\$ 652	\$ 874	\$ 1,956	\$ 2,939

13. Earnings per common share

	Three months ended September 30		Nine months ended September 30	
	2008	2007	2008	2007
Earnings				
Net income before proportionate share of affiliate's gain	\$ 198,694	\$ 218,397	\$ 625,995	\$ 644,800
Proportionate share of affiliate's gain	-	-	25,003	-
Net income	\$ 198,694	\$ 218,397	\$ 650,998	\$ 644,800
Number of common shares (in thousands)				
Average number of common shares outstanding	263,185	264,399	263,635	264,725
Add: Potential exercise of outstanding stock options	1,583	2,818	1,722	2,743
Average number of common shares outstanding - Diluted basis	264,768	267,217	265,357	267,468
Earnings per common share (in dollars)				
Excluding proportionate share of affiliate's gain				
- Basic	\$ 0.75	\$ 0.83	\$ 2.37	\$ 2.44
- Diluted	\$ 0.75	\$ 0.82	\$ 2.36	\$ 2.41
Including proportionate share of affiliate's gain				
- Basic	\$ 0.75	\$ 0.83	\$ 2.47	\$ 2.44
- Diluted	\$ 0.75	\$ 0.82	\$ 2.45	\$ 2.41

In certain circumstances, the preferred shares are convertible into common shares. These conversions are not included in the calculation of diluted earnings per share as the Company has the option to settle in cash instead of shares.

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14. Segmented information

Three months ended September 30

2008	Investors Group	Mackenzie	Corporate and Other	Total
Fee and net investment income				
Management	\$ 277,855	\$ 189,100	\$ 9,974	\$ 476,929
Administration	53,413	34,065	620	88,098
Distribution	35,835	8,221	26,542	70,598
Net investment income and other	36,044	5,210	8,081	49,335
	403,147	236,596	45,217	684,960
Operating expenses				
Commissions	118,619	87,148	24,286	230,053
Non-commission	74,837	70,536	10,004	155,377
	193,456	157,684	34,290	385,430
Earnings before undernoted	\$ 209,691	\$ 78,912	\$ 10,927	299,530
Interest expense				22,176
Income before income taxes and non-controlling interest				277,354
Income taxes				78,352
Income before non-controlling interest				199,002
Non-controlling interest				308
Net income				\$ 198,694

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14. Segmented information (continued)

Three months ended September 30

2007	Investors Group	Mackenzie	Corporate and Other	Total
Fee and net investment income				
Management	\$ 298,241	\$ 221,900	\$ 11,495	\$ 531,636
Administration	56,257	34,126	357	90,740
Distribution	33,154	6,868	24,598	64,620
Net investment income and other	<u>25,371</u>	<u>6,640</u>	<u>11,822</u>	<u>43,833</u>
	<u>413,023</u>	<u>269,534</u>	<u>48,272</u>	<u>730,829</u>
Operating expenses				
Commissions	115,891	98,975	23,104	237,970
Non-commission	<u>70,629</u>	<u>74,365</u>	<u>10,000</u>	<u>154,994</u>
	<u>186,520</u>	<u>173,340</u>	<u>33,104</u>	<u>392,964</u>
Earnings before undernoted	<u>\$ 226,503</u>	<u>\$ 96,194</u>	<u>\$ 15,168</u>	337,865
Interest expense				<u>22,221</u>
Income before income taxes and non-controlling interest				315,644
Income taxes				<u>96,424</u>
Income before non-controlling interest				219,220
Non-controlling interest				<u>823</u>
Net income				<u>\$ 218,397</u>

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14. Segmented information (continued)

Nine months ended September 30

2008	Investors Group	Mackenzie	Corporate and Other	Total
Fee and net investment income				
Management	\$ 847,300	\$ 592,371	\$ 31,227	\$ 1,470,898
Administration	160,907	102,320	1,774	265,001
Distribution	112,127	25,781	80,772	218,680
Net investment income and other	<u>121,313</u>	<u>18,146</u>	<u>26,659</u>	<u>166,118</u>
	<u>1,241,647</u>	<u>738,618</u>	<u>140,432</u>	<u>2,120,697</u>
Operating expenses				
Commissions	357,244	268,521	74,085	699,850
Non-commission	<u>235,521</u>	<u>219,304</u>	<u>30,463</u>	<u>485,288</u>
	<u>592,765</u>	<u>487,825</u>	<u>104,548</u>	<u>1,185,138</u>
Earnings before undernoted	<u>\$ 648,882</u>	<u>\$ 250,793</u>	<u>\$ 35,884</u>	935,559
Interest expense				<u>66,156</u>
Income before income taxes, non-controlling interest and proportionate share of affiliate's gain				869,403
Income taxes				<u>242,184</u>
Income before non-controlling interest and proportionate share of affiliate's gain				627,219
Non-controlling interest				<u>1,224</u>
Net income before proportionate share of affiliate's gain				625,995
Proportionate share of affiliate's gain				<u>25,003</u>
Net income				<u>\$ 650,998</u>
Identifiable assets	\$ 1,951,549	\$ 2,572,731	\$ 1,115,669	\$ 5,639,949
Goodwill	<u>1,347,781</u>	<u>1,233,583</u>	<u>78,055</u>	<u>2,659,419</u>
Total assets	<u>\$ 3,299,330</u>	<u>\$ 3,806,314</u>	<u>\$ 1,193,724</u>	<u>\$ 8,299,368</u>

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14. Segmented information (continued)

Nine months ended September 30

2007	Investors Group	Mackenzie	Corporate and Other	Total
Fee and net investment income				
Management	\$ 881,260	\$ 658,445	\$ 34,233	\$ 1,573,938
Administration	153,447	104,270	1,456	259,173
Distribution	95,243	22,393	71,096	188,732
Net investment income and other	<u>98,186</u>	<u>19,500</u>	<u>33,961</u>	<u>151,647</u>
	<u>1,228,136</u>	<u>804,608</u>	<u>140,746</u>	<u>2,173,490</u>
Operating expenses				
Commissions	342,815	295,895	66,915	705,625
Non-commission	<u>215,044</u>	<u>223,935</u>	<u>27,324</u>	<u>466,303</u>
	<u>557,859</u>	<u>519,830</u>	<u>94,239</u>	<u>1,171,928</u>
Earnings before undernoted	<u>\$ 670,277</u>	<u>\$ 284,778</u>	<u>\$ 46,507</u>	1,001,562
Interest expense				<u>66,108</u>
Income before income taxes and non-controlling interest				935,454
Income taxes				<u>288,365</u>
Income before non-controlling interest				647,089
Non-controlling interest				<u>2,289</u>
Net income				<u>\$ 644,800</u>
Identifiable assets	\$ 1,622,214	\$ 2,438,542	\$ 1,305,167	\$ 5,365,923
Goodwill	<u>1,347,781</u>	<u>957,446</u>	<u>78,849</u>	<u>2,384,076</u>
Total assets	<u>\$ 2,969,995</u>	<u>\$ 3,395,988</u>	<u>\$ 1,384,016</u>	<u>\$ 7,749,999</u>

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15. Acquisition of Saxon Financial Inc.

On September 25, 2008, Mackenzie Financial Corporation (Mackenzie), a subsidiary of the Company, acquired 95.3% of the issued and outstanding shares of Saxon Financial Inc. (Saxon), a Canadian investment management company. The acquisition was by way of a take over bid for total cash consideration of \$275.2 million including transaction and other related costs. Mackenzie announced that it will acquire the remaining Saxon common shares not already tendered under the compulsory acquisition provisions of the Business Corporations Act (Ontario).

The acquisition has been accounted for by the purchase method and the results of Saxon's operations have been included in the Consolidated Financial Statements from the date of acquisition.

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition. The purchase price allocation is preliminary and will be completed as soon as Mackenzie has gathered all the significant information considered necessary in order to finalize this allocation.

Fair value of assets acquired	
Cash and cash equivalents	\$ 24,946
Securities	11,438
Other assets	<u>7,164</u>
	43,548
Less fair value of liabilities assumed	
Other liabilities	<u>36,703</u>
Fair value of net assets acquired	6,845
Goodwill	<u>268,391</u>
Total purchase consideration	<u>\$ 275,236</u>