CONSOLIDATED STATEMENTS OF EARNINGS

(unaudited) *(in thousands of Canadian dollars, except shares and per share amounts)*	THREE MONTHS ENDED JUNE 30 2018	2017	SIX MONTHS ENDED JUNE 30 2018	2017
Revenues				
Management fees	**$ 562,781**	$ 547,002	**$ 1,119,382**	$ 1,074,703
Administration fees	**107,123**	111,238	**214,657**	220,202
Distribution fees	**89,897**	94,775	**183,217**	200,035
Net investment income and other	**18,577**	25,465	**32,786**	45,222
Proportionate share of associates' earnings	**37,583**	19,758	**75,567**	47,777
	815,961	798,238	**1,625,609**	1,587,939
Expenses				
Commission	**270,164**	284,448	**556,262**	573,755
Non-commission	**252,627**	219,075	**505,772**	465,976
Interest	**28,770**	28,703	**59,034**	55,490
	551,561	532,226	**1,121,068**	1,095,221
Earnings before income taxes	**264,400**	266,012	**504,541**	492,718
Income taxes	**58,483**	62,997	**110,873**	110,371
Net earnings	**205,917**	203,015	**393,668**	382,347
Perpetual preferred share dividends	**2,212**	2,212	**4,425**	4,425
Net earnings available to common shareholders	**$ 203,705**	$ 200,803	**$ 389,243**	$ 377,922
Earnings per share *(in dollars) (Note 15)*				
– Basic	**$ 0.85**	$ 0.83	**$ 1.62**	$ 1.57
– Diluted	**$ 0.85**	$ 0.83	**$ 1.61**	$ 1.57

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited) *(in thousands of Canadian dollars)*	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2018	2017	**2018**	2017
Net earnings	**$ 205,917**	$ 203,015	**$ 393,668**	$ 382,347
Other comprehensive income (loss), net of tax				
Items that will not be reclassified to Net earnings				
Fair value through other comprehensive income investments				
Other comprehensive income (loss), *net of tax of $466 and $895*	**(3,006)**	N/A	**(5,752)**	N/A
Employee benefits				
Net actuarial gains (losses), *net of tax of $(3,953), $7,888, $(2,684) and $10,827*	**10,690**	(21,330)	**7,263**	(29,278)
Investment in associates – employee benefits and other				
Other comprehensive income (loss), *net of tax of nil*	**1,444**	(791)	**(1,431)**	12,799
Items that may be reclassified subsequently to Net earnings				
Available for sale investments				
Net unrealized gains (losses), *net of tax of $(163) and $(356)*	**N/A**	4,395	**N/A**	5,402
Reclassification of realized (gains) losses to net earnings, *net of tax of $20 and $27*	**N/A**	(53)	**N/A**	(72)
	N/A	4,342	**N/A**	5,330
Investment in associates and other				
Other comprehensive income (loss), *net of tax of $2,580, $538, $(1,842) and $(1,125)*	**9,025**	(3,271)	**49,962**	3,062
	18,153	(21,050)	**50,042**	(8,087)
Total comprehensive income	**$ 224,070**	$ 181,965	**$ 443,710**	$ 374,260

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

CONSOLIDATED BALANCE SHEETS

(unaudited) *(in thousands of Canadian dollars)*	JUNE 30 2018	DECEMBER 31 2017
Assets		
Cash and cash equivalents	$ 721,695	$ 966,843
Other investments *(Note 3)*	426,853	379,696
Client funds on deposit	471,309	489,626
Accounts and other receivables	363,443	305,062
Income taxes recoverable	26,910	33,928
Loans *(Note 4)*	7,828,444	7,849,873
Derivative financial instruments	27,441	35,692
Other assets	48,305	64,558
Investment in associates *(Note 6)*	1,629,407	1,551,013
Capital assets	145,664	150,468
Capitalized sales commissions *(Note 7)*	86,505	767,315
Deferred income taxes	51,564	60,661
Intangible assets	1,184,354	1,184,451
Goodwill	2,660,267	2,660,267
	$ 15,672,161	$ 16,499,453
Liabilities		
Accounts payable and accrued liabilities	$ 376,472	$ 406,821
Income taxes payable	21,760	8,018
Derivative financial instruments	31,172	28,444
Deposits and certificates	490,401	504,996
Other liabilities	422,134	491,280
Obligations to securitization entities *(Note 5)*	7,506,222	7,596,028
Deferred income taxes	282,672	463,862
Long-term debt *(Note 8)*	2,025,000	2,175,000
	11,155,833	11,674,449
Shareholders' Equity		
Share capital		
Perpetual preferred shares	150,000	150,000
Common shares	1,609,576	1,602,726
Contributed surplus	43,763	42,633
Retained earnings	2,734,060	3,100,775
Accumulated other comprehensive income (loss)	(21,071)	(71,130)
	4,516,328	4,825,004
	$ 15,672,161	$ 16,499,453

These interim condensed consolidated financial statements were approved and authorized for issuance by the Board of Directors on August 2, 2018.

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(unaudited) (in thousands of Canadian dollars)	SHARE CAPITAL: PERPETUAL PREFERRED SHARES (Note 9)	SHARE CAPITAL: COMMON SHARES (Note 9)	CONTRIBUTED SURPLUS	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) (Note 12)	TOTAL SHAREHOLDERS' EQUITY
						SIX MONTHS ENDED JUNE 30
2018						
Balance, beginning of period						
As previously reported	$ 150,000	$ 1,602,726	$ 42,633	$ 3,100,775	$ (71,130)	$ 4,825,004
Change in accounting policy (*Note 2*)						
IFRS 9	–	–	–	36,334	17	36,351
IFRS 15	–	–	–	(516,312)	–	(516,312)
As restated	150,000	1,602,726	42,633	2,620,797	(71,113)	4,345,043
Net earnings	–	–	–	393,668	–	393,668
Other comprehensive income (loss), net of tax	–	–	–	–	50,042	50,042
Total comprehensive income	–	–	–	393,668	50,042	443,710
Common shares						
Issued under stock option plan	–	6,850	–	–	–	6,850
Stock options						
Current period expense	–	–	1,823	–	–	1,823
Exercised	–	–	(693)	–	–	(693)
Perpetual preferred share dividends	–	–	–	(4,425)	–	(4,425)
Common share dividends	–	–	–	(270,916)	–	(270,916)
Other	–	–	–	(5,064)	–	(5,064)
Balance, end of period	$ 150,000	$ 1,609,576	$ 43,763	$ 2,734,060	$ (21,071)	$ 4,516,328
2017						
Balance, beginning of period	$ 150,000	$ 1,597,208	$ 39,552	$ 3,042,442	$ (82,442)	$ 4,746,760
Net earnings	–	–	–	382,347	–	382,347
Other comprehensive income (loss), net of tax	–	–	–	–	(8,087)	(8,087)
Total comprehensive income	–	–	–	382,347	(8,087)	374,260
Common shares						
Issued under stock option plan	–	2,074	–	–	–	2,074
Stock options						
Current period expense	–	–	1,824	–	–	1,824
Exercised	–	–	(110)	–	–	(110)
Perpetual preferred share dividends	–	–	–	(4,425)	–	(4,425)
Common share dividends	–	–	–	(270,659)	–	(270,659)
Other	–	–	–	(2,216)	–	(2,216)
Balance, end of period	$ 150,000	$ 1,599,282	$ 41,266	$ 3,147,489	$ (90,529)	$ 4,847,508

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited) *(in thousands of Canadian dollars)*	SIX MONTHS ENDED JUNE 30 2018	2017
Operating activities		
Earnings before income taxes	$ 504,541	$ 492,718
Income taxes paid	(83,642)	(89,964)
Adjustments to determine net cash from operating activities		
Capitalized sales commission amortization	6,277	116,310
Capitalized sales commissions paid	(28,961)	(147,974)
Amortization of capital and intangible assets	27,669	26,522
Proportionate share of associates' earnings, net of dividends received	(33,711)	(18,610)
Pension and other post-employment benefits	(19,543)	6,002
Pension plan amendment	–	(50,381)
Restructuring provisions and other	–	22,940
Changes in operating assets and liabilities and other	926	(61,673)
	373,556	295,890
Restructuring provision cash payments	(36,352)	(9,231)
	337,204	286,659
Financing activities		
Net (decrease) increase in deposits and certificates	(658)	490
Increase in obligations to securitization entities	711,093	610,765
Repayments of obligations to securitization entities and other	(864,280)	(897,506)
Issue of debentures	–	600,000
Repayment of debentures	(150,000)	–
Issue of common shares	6,157	1,964
Perpetual preferred share dividends paid	(4,425)	(4,425)
Common share dividends paid	(270,826)	(270,619)
	(572,939)	40,669
Investing activities		
Purchase of other investments	(82,321)	(103,070)
Proceeds from the sale of other investments	43,335	36,689
Increase in loans	(855,814)	(1,184,803)
Repayment of loans and other	921,422	1,407,279
Net additions to capital assets	(7,026)	(9,385)
Net cash used in additions to intangible assets and acquisitions	(29,009)	(15,728)
	(9,413)	130,982
(Decrease) increase in cash and cash equivalents	(245,148)	458,310
Cash and cash equivalents, beginning of period	966,843	611,032
Cash and cash equivalents, end of period	$ 721,695	$ 1,069,342
Cash	$ 51,585	$ 48,512
Cash equivalents	670,110	1,020,830
	$ 721,695	$ 1,069,342
Supplemental disclosure of cash flow information related to operating activities		
Interest and dividends received	$ 152,747	$ 133,397
Interest paid	$ 140,504	$ 116,416

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2018 *(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 this note and in Note 2 to the Consolidated Financial Statements for the year ended December 31, 2017. The Interim Financial Statements should be read in conjunction with the Consolidated Financial Statements in the 2017 IGM Financial Inc. Annual Report.

CHANGES IN ACCOUNTING POLICIES

IFRS 9 FINANCIAL INSTRUMENTS (IFRS 9)

As of January 1, 2018, the Company has adopted IFRS 9 which replaces IAS 39, *Financial Instruments: Recognition and Measurement* (IAS 39). IFRS 9 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 incurred loss model for impairment of financial assets with an expected credit loss model.
- Hedge accounting: This phase replaces the rule-based hedge accounting requirements with guidance that more closely aligns the accounting with an entity's risk management activities.

The Company has elected not to restate its comparative financial information for the effect of applying IFRS 9, as permitted by the transitional provisions within IFRS 9. The cumulative impact of applying IFRS 9 has therefore been recognized as an adjustment to the current period's opening retained earnings and comparative information continues to be presented in accordance with IAS 39.

The cumulative impact relating to classification and measurement under IFRS 9 has resulted in an after tax increase to opening retained earnings of approximately $36.3 million ($49.7 million before tax) as at January 1, 2018.

Loans of $282.6 million previously classified as held for trading were reclassified to amortized cost as a result of the Company's business model and contractual cash flow characteristics assessment.

A total remeasurement of $49.7 million was recorded due to the reversal of discounts related to fair value losses recognized on the loans and the capitalization of previously expensed mortgage issue costs.

Other investments of $19.9 million were reclassified from available for sale to fair value through profit or loss (FVTPL).

CHANGES IN ACCOUNTING POLICIES *(continued)*

IFRS 9 FINANCIAL INSTRUMENTS (IFRS 9) *(continued)*

The Company elected to classify other investments of $262.8 million at fair value through other comprehensive income (FVTOCI). This reclassification had no impact to opening retained earnings, however under this election, unrealized gains and losses on these investments will never be recycled through profit or loss.

The Company has adopted the hedge accounting requirements of IFRS 9. As a result of the business model assessment, mortgages previously classified as held for trading and subsequently reclassified to loans and receivables are now classified at amortized cost when originated. The Company has therefore designated certain derivative instruments as hedging instruments to avoid an accounting mismatch between derivative instruments and associated loans. Application of IFRS 9 hedge accounting requirements did not have a material impact in the first quarter of 2018.

The application of the expected credit loss model did not have a material impact to the Company's loan loss provision.

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS (IFRS 15)

As of January 1, 2018, the Company has adopted 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.

IFRS 15 outlines various criteria for the eligibility of capitalizing contract costs. Determining whether the customer is the fund or the end investor impacts whether costs should be capitalized as a cost of obtaining a contract with a customer or whether they should be assessed as a cost of fulfilling a contract with a customer.

To determine whether sales commissions associated with the distribution of investment funds should be capitalized, the Company assesses whether the customer is the investment fund or the individual investor. Where it is determined that the investment fund is the customer, contract costs are expensed as incurred. Where it is determined that the individual investor is the customer, contract costs are capitalized and amortized over a period not exceeding seven years.

The Company has elected not to restate its comparative financial information for the effect of applying IFRS 15, as permitted by the transitional provisions within IFRS 15. The cumulative impact of applying IFRS 15 has therefore been recognized as an adjustment to the current period's opening retained earnings and comparative information continues to be presented in accordance with the Company's accounting policies in effect as at December 31, 2017.

The cumulative impact from the Company's application of IFRS 15 has resulted in an after tax decrease to opening retained earnings of approximately $514.6 million ($703.5 million before tax) as at January 1, 2018.

Capitalized sales commissions of $703.5 million were derecognized as they related to commissions paid on sales where the customer was the investment fund. This resulted in a decrease to the Company's Deferred income taxes liability of $188.9 million.

On January 1, 2018, Great-West Lifeco Inc. (Lifeco) also adopted IFRS 15 (Note 6). The impact from Lifeco's application of IFRS 15 has resulted in a decrease in the Company's investment in associates of $1.7 million and a decrease in opening retained earnings of $1.7 million as at January 1, 2018.

CHANGES IN ACCOUNTING POLICIES *(continued)*

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS (IFRS 15) *(continued)*

Impact of the changes in accounting policies on the Consolidated Balance Sheet:

	DECEMBER 31, 2017		ADJUSTMENT DUE TO CHANGES IN :		JANUARY 1, 2018	
	CLASSIFICATION	CARRYING VALUE	CLASSIFICATION	MEASUREMENT	CARRYING VALUE	CLASSIFICATION
Assets						
Loans[1]	Held for trading	286,682	(282,572)	–	4,110	FVTPL
	Loans & receivables	7,563,191	282,572	49,729	7,895,492	Amortized Cost
		7,849,873	–	49,729	7,899,602	
Other investments[1]	Available for sale	282,756	(19,931)	–	262,825	FVTOCI
	FVTPL	96,940	19,931	–	116,871	FVTPL
Investment in associates[2]		1,551,013	–	(1,728)	1,549,285	
Capitalized sales commissions[2]		767,315	–	(703,494)	63,821	
			–	(655,493)		
Liabilities & Shareholders' Equity						
Income tax payable[1]		8,018	–	6,880	14,898	
Deferred income taxes[1][2]		463,862	–	(182,412)	281,450	
Retained earnings[1][2]		3,100,775	(17)	(479,961)	2,620,797	
AOCI[1]		(71,130)	17	–	(71,113)	
			–	(655,493)		

(1) Transition to IFRS 9
(2) Transition to IFRS 15

FINANCIAL INSTRUMENTS

All financial assets are initially recognized at fair value in the Consolidated Balance Sheets and are subsequently classified as measured at fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVTOCI) or amortized cost based on the Company's assessment of the business model within which the financial asset is managed and the financial asset's contractual cash flow characteristics.

A financial asset is measured at amortized cost if it is held within a business model of holding financial assets and collecting contractual cash flows and those cash flows are comprised solely of payments of principal and interest. A financial asset is measured at FVTOCI if the financial asset is held within a business model of both collecting contractual cash flows and selling the financial assets or through an irrevocable election for equity instruments that are not held for trading. All other financial assets are measured at FVTPL. A financial asset that would otherwise be measured at amortized cost or FVTOCI can be designated as FVTPL through an irrevocable election if doing so eliminates or significantly reduces an accounting mismatch.

Financial assets can only be reclassified when there is a change to the business model within which they are managed. Such reclassifications are applied on a prospective basis.

Financial liabilities are classified either as measured at amortized cost using the effective interest method or as FVTPL, which are recorded at fair value.

Unrealized gains and losses on financial assets classified as FVTOCI as well as other comprehensive income amounts, including unrealized foreign currency translation gains and losses related to the Company's investment in its associates, are recorded in the Consolidated Statements of Comprehensive Income on a net of tax basis. Accumulated other comprehensive income forms part of Shareholders' equity.

OTHER INVESTMENTS

Other investments, which are recorded on a trade date basis, are classified as either FVTOCI or FVTPL.

The Company has elected to classify equity investments held for long-term investments as FVTOCI. Unrealized gains and losses on FVTOCI investments are recorded in Other comprehensive income and transferred directly to retained earnings when realized without being recorded through profit or loss. Dividends declared are recorded in Net investment income and other in the Consolidated Statements of Earnings.

FVTPL investments are held for trading and are comprised of fixed income and equity investments and investments in proprietary investment funds. Unrealized and realized gains and losses, dividends declared, and interest income on these investments are recorded in Net investment income and other in the Consolidated Statements of Earnings.

LOANS

Loans are classified as either FVTPL or amortized cost, based on the Company's assessment of the business model within which the loan is managed.

Changes in fair value of loans measured at FVTPL are recorded in Net investment income and other in the Consolidated Statements of Earnings. Loans measured at amortized cost are recorded net of an allowance for expected credit losses. Interest income is accounted for on the accrual basis using the effective interest method for all loans and is recorded in Net investment income and other in the Consolidated Statements of Earnings.

The Company applies a three-stage impairment approach to measure expected credit losses on loans: 1) On origination, an allowance for 12-month expected credit losses is established, 2) Lifetime expected credit losses are recognized where there is a significant deterioration of credit quality, and 3) A loan is considered credit impaired when there is no longer reasonable assurance of collection.

SALES COMMISSIONS

Commissions are paid on investment product sales where the Company either receives a fee directly from the client or where it receives a fee directly from the investment fund.

Commissions paid on investment product sales where the Company receives a fee directly from the client are capitalized and amortized over their estimated useful lives, not exceeding a period of seven years. The Company regularly reviews the carrying value of capitalized selling commissions with respect to any events or circumstances that indicate impairment. Among the tests performed by the Company to assess recoverability is the comparison of the future economic benefits derived from the capitalized selling commission asset in relation to its carrying value.

All other commissions paid on investment product sales are expensed as incurred.

COMPARATIVE FIGURES

The Company reclassified certain comparative figures in its Statements of Cash Flows to conform to the current year's presentation. The reclassifications are intended to provide additional details on the nature of the Company's cash flows and had no impact on the net earnings of the Company.

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 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 OTHER INVESTMENTS

	JUNE 30, 2018 COST	JUNE 30, 2018 FAIR VALUE	DECEMBER 31, 2017 COST	DECEMBER 31, 2017 FAIR VALUE
Available for sale				
Corporate investments	$ N/A	$ N/A	$ 215,050	$ 262,825
Proprietary investment funds	N/A	N/A	19,601	19,931
	N/A	N/A	234,651	282,756
Fair value through other comprehensive income				
Corporate investments	280,214	321,344	N/A	N/A
Fair value through profit or loss				
Equity securities	16,769	18,277	17,115	17,062
Proprietary investment funds	85,654	87,232	79,575	79,878
	102,423	105,509	96,690	96,940
	$ 382,637	$ 426,853	$ 331,341	$ 379,696

FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

CORPORATE INVESTMENTS

In the second quarter of 2018, the Company invested a total of $18.0 million in corporate investments.

NOTE 4 LOANS

	CONTRACTUAL MATURITY 1 YEAR OR LESS	CONTRACTUAL MATURITY 1 – 5 YEARS	CONTRACTUAL MATURITY OVER 5 YEARS	JUNE 30 2018 TOTAL	DECEMBER 31 2017 TOTAL
Amortized cost					
Residential mortgages	$ 1,256,636	$ 6,547,775	$ 18,074	$ 7,822,485	$ 7,563,997
Less: Allowance for expected credit losses				918	806
				7,821,567	7,563,191
Fair value through profit or loss				6,877	286,682
				$ 7,828,444	$ 7,849,873

The change in the allowance for expected credit losses is as follows:		
Balance, beginning of period	$ 806	$ 722
Write-offs, net of recoveries	(104)	(612)
Provision for credit losses	216	696
Balance, end of period	$ 918	$ 806

Total credit impaired loans as at June 30, 2018 were $3,845 (December 31, 2017 – $2,842).

Total interest income on loans was $105.3 million (2017 – $103.4 million). Total interest expense on obligations to securitization entities, related to securitized loans, was $81.2 million (2017 – $66.7 million). Gains realized on the sale of residential mortgages totalled $1.5 million (2017 – $6.6 million). Fair value adjustments related to mortgage banking operations totalled negative $5.8 million (2017 – positive $1.0 million). These amounts were included in Net investment income and other. Net investment income and other also includes other mortgage banking related items including portfolio insurance, issue costs, and other items.

NOTE 5 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.

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 positive fair value of $7.0 million at June 30, 2018 (December 31, 2017 – positive $4.1 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.

JUNE 30, 2018	SECURITIZED MORTGAGES	OBLIGATIONS TO SECURITIZATION ENTITIES	NET
Carrying value			
NHA MBS and CMB Program	**$ 4,352,647**	**$ 4,391,222**	**$ (38,575)**
Bank sponsored ABCP	**3,052,843**	**3,115,000**	**(62,157)**
Total	**$ 7,405,490**	**$ 7,506,222**	**$ (100,732)**
Fair value	**$ 7,411,630**	**$ 7,545,016**	**$ (133,386)**
DECEMBER 31, 2017			
Carrying value			
NHA MBS and CMB Program	$ 4,461,926	$ 4,470,908	$ (8,982)
Bank sponsored ABCP	3,076,083	3,125,120	(49,037)
Total	$ 7,538,009	$ 7,596,028	$ (58,019)
Fair value	$ 7,649,591	$ 7,657,761	$ (8,170)

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 6 INVESTMENT IN ASSOCIATES

			JUNE 30 2018	JUNE 30 2017
	LIFECO	CHINA AMC	**TOTAL**	TOTAL
Balance, beginning of period				
As previously reported	$ 903,133	$ 647,880	**$ 1,551,013**	$ 888,851
Change in accounting policy *(Note 2)*	(1,728)	–	**(1,728)**	–
	901,405	647,880	**1,549,285**	888,851
Proportionate share of earnings[1]	60,030	15,537	**75,567**	52,875
Dividends received	(30,916)	(12,156)	**(43,072)**	(29,167)
Proportionate share of associates' provision	–	–	**–**	(5,098)
Proportionate share of other comprehensive income (loss) and other adjustments	28,950	18,677	**47,627**	6,734
Balance, end of period	$ 959,469	$ 669,938	**$ 1,629,407**	$ 914,195

(1) Recorded in Proportionate share of associates' earnings in the Consolidated Statements of Earnings.

GREAT-WEST LIFECO INC. (LIFECO)

At June 30, 2018, the Company held 39,737,388 (December 31, 2017 – 39,737,388) shares of Lifeco, which represented an equity interest of 4.0% (December 31, 2017 – 4.0%).

In the second quarter of 2017, Lifeco established a restructuring provision. The Company's after-tax proportionate share was $5.1 million and is recorded in the Consolidated Statements of Earnings.

CHINA ASSET MANAGEMENT CO., LTD. (CHINA AMC)

On August 31, 2017, the Company finalized its investment in China AMC which resulted in a 13.9% ownership interest at a total cost of $638.3 million.

China AMC is an asset management company established in Beijing, China and is controlled by CITIC Securities Company Limited.

As at June 30, 2018, the Company held a 13.9% ownership interest in China AMC. The Company uses the equity method to account for its investment in China AMC as it exercises significant influence. Significant influence arises from board representation, participating in the policy making process, shared strategic initiatives including joint product launches and collaboration between management and investment teams.

NOTE 7 CAPITALIZED SALES COMMISSIONS

		JUNE 30 2018		DECEMBER 31 2017
Cost	$	98,546	$	1,429,042
Less: accumulated amortization		(12,041)		(661,727)
	$	86,505	$	767,315

		JUNE 30 2018		JUNE 30 2017
Changes in capitalized sales commissions:				
Balance, beginning of period				
As previously reported	$	767,315	$	726,608
Change in accounting policy *(Note 2)*		(703,494)		–
		63,821		726,608
Changes due to:				
Sales of investment products		28,961		147,974
Amortization		(6,277)		(116,310)
		22,684		31,664
Balance, end of period	$	86,505	$	758,272

NOTE 8 LONG-TERM DEBT

On July 11, 2018, the Company issued $200.0 million of 4.174% debentures maturing July 13, 2048. The net proceeds will be used by the Company, together with a portion of IGM Financial's existing internal cash resources, to fund the intended redemption of all of its $375 million aggregate principal amount of 7.35% debentures due April 8, 2019 (2019 Debentures). The Company issued a notice on July 11, 2018 to redeem the 2019 Debentures on August 10, 2018.

NOTE 9 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

	JUNE 30, 2018		JUNE 30, 2017	
	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	240,666,131	$ 1,602,726	240,515,968	$ 1,597,208
Issued under Stock Option Plan	159,715	6,850	71,955	2,074
Balance, end of period	240,825,846	$ 1,609,576	240,587,923	$ 1,599,282

NOTE 10 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 Second Quarter 2018 Report to Shareholders and in Note 17 to the Consolidated Financial Statements in the 2017 IGM Financial Inc. Annual Report and have not changed significantly since December 31, 2017.

NOTE 11 SHARE-BASED PAYMENTS

STOCK OPTION PLAN

	JUNE 30 2018	DECEMBER 31 2017
Common share options		
– Outstanding	**9,829,225**	8,912,748
– Exercisable	**4,754,554**	4,063,668

In the second quarter of 2018, the Company granted 17,875 options to employees (2017 – 22,475). In the six months ended June 30, 2018, the Company granted 1,336,265 options to employees (2017 – 1,418,930). The weighted-average fair value of options granted during the six months ended June 30, 2018 has been estimated at $2.56 per option (2017 – $2.52) using the Black-Scholes option pricing model. The weighted-average closing share price at the grant dates was $39.10. The assumptions used in these valuation models include:

	SIX MONTHS ENDED JUNE 30	
	2018	2017
Exercise price	**$ 39.29**	$ 41.70
Risk-free interest rate	**2.35%**	1.53%
Expected option life	**6 years**	6 years
Expected volatility	**17.00%**	17.00%
Expected dividend yield	**5.73%**	5.40%

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 12 ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

JUNE 30, 2018	EMPLOYEE BENEFITS	OTHER INVESTMENTS	INVESTMENT IN ASSOCIATES AND OTHER	TOTAL
Balance, beginning of period				
As previously reported	$ (132,529)	$ 39,051	$ 22,348	$ (71,130)
Change in accounting policy *(Note 2)*	–	17	–	17
	(132,529)	39,068	22,348	(71,113)
Other comprehensive income (loss)	7,263	(5,752)	48,531	50,042
Balance, end of period	$ (125,266)	$ 33,316	$ 70,879	$ (21,071)

JUNE 30, 2017	EMPLOYEE BENEFITS	OTHER INVESTMENTS	INVESTMENT IN ASSOCIATES AND OTHER	TOTAL
Balance, beginning of period	$ (110,913)	$ 8,617	$ 19,854	$ (82,442)
Other comprehensive income (loss)	(29,278)	5,330	15,861	(8,087)
Balance, end of period	$ (140,191)	$ 13,947	$ 35,715	$ (90,529)

Amounts are recorded net of tax.

NOTE 13 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 Second Quarter 2018 Report to Shareholders and in Note 20 to the Consolidated Financial Statements in the 2017 IGM Financial Inc. Annual Report and have not changed significantly since December 31, 2017.

NOTE 14 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.

NOTE 14 FAIR VALUE OF FINANCIAL INSTRUMENTS *(continued)*

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:

Other investments 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 investments 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 investments 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.

NOTE 14 FAIR VALUE OF FINANCIAL INSTRUMENTS *(continued)*

	CARRYING VALUE	FAIR VALUE			
		LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
JUNE 30, 2018					
Financial assets recorded at fair value					
Other investments					
– FVTOCI	$ 321,344	$ –	$ –	$ 321,344	$ 321,344
– FVTPL	105,509	104,020	854	635	105,509
Loans					
– FVTPL	6,877	–	6,877	–	6,877
Derivative financial instruments	27,441	–	13,364	14,077	27,441
Financial assets recorded at amortized cost					
Loans					
– Amortized cost	7,821,567	–	412,309	7,411,630	7,823,939
Financial liabilities recorded at fair value					
Derivative financial instruments	31,172	–	24,053	7,119	31,172
Other financial liabilities	9,339	9,152	187	–	9,339
Financial liabilities recorded at amortized cost					
Deposits and certificates	490,401	–	490,722	–	490,722
Obligations to securitization entities	7,506,222	–	–	7,545,016	7,545,016
Long-term debt	2,025,000	–	2,306,497	–	2,306,497
DECEMBER 31, 2017					
Financial assets recorded at fair value					
Other investments					
– Available for sale	$ 282,756	$ 19,931	$ –	$ 262,825	$ 282,756
– Held for trading	96,940	95,390	889	661	96,940
Loans					
– Held for trading	286,682	–	286,682	–	286,682
Derivative financial instruments	35,692	–	22,879	12,813	35,692
Financial assets recorded at amortized cost					
Loans					
– Loans and receivables	7,563,191	–	25,917	7,649,591	7,675,508
Financial liabilities recorded at fair value					
Derivative financial instruments	28,444	–	19,726	8,718	28,444
Other financial liabilities	9,262	9,146	116	–	9,262
Financial liabilities recorded at amortized cost					
Deposits and certificates	504,996	–	505,486	–	505,486
Obligations to securitization entities	7,596,028	–	–	7,657,761	7,657,761
Long-term debt	2,175,000	–	2,470,182	–	2,470,182

There were no significant transfers between Level 1 and Level 2 in 2018 and 2017.

NOTE 14 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]	GAINS/(LOSSES) INCLUDED IN OTHER COMPREHENSIVE INCOME	PURCHASES AND ISSUANCES	SETTLEMENTS	TRANSFERS IN/OUT	BALANCE JUNE 30
JUNE 30, 2018							
Assets							
Other investments							
– FVTOCI	**$ 262,825**	**$ –**	**$ (6,647)**	**$ 65,166**	**$ –**	**$ –**	**$ 321,344**
– FVTPL	**661**	**75**	**–**	**–**	**–**	**(101)**	**635**
Derivative financial instruments, net	**4,095**	**(4,699)**	**–**	**297**	**7,265**	**–**	**6,958**
JUNE 30, 2017							
Assets							
Other investments							
– Available for sale	$ 151,949	$ –	$ 7,918	$ 44,478	$ –	$ –	$ 204,345
– Held for trading	1,438	(174)	–	–	–	–	1,264
Liabilities							
Derivative financial instruments, net	23,055	3,718	–	259	8,587	–	11,009

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

NOTE 15 EARNINGS PER COMMON SHARE

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2018	2017	**2018**	2017
Earnings				
Net earnings	**$ 205,917**	$ 203,015	**$ 393,668**	$ 382,347
Perpetual preferred share dividends	**2,212**	2,212	**4,425**	4,425
Net earnings available to common shareholders	**$ 203,705**	$ 200,803	**$ 389,243**	$ 377,922
Number of common shares *(in thousands)*				
Weighted average number of common shares outstanding	**240,810**	240,587	**240,784**	240,565
Add: Potential exercise of outstanding stock options[1]	**183**	253	**252**	266
Average number of common shares outstanding – diluted basis	**240,993**	240,840	**241,036**	240,831
Earnings per common share *(in dollars)*				
Basic	**$ 0.85**	$ 0.83	**$ 1.62**	$ 1.57
Diluted	**$ 0.85**	$ 0.83	**$ 1.61**	$ 1.57

(1) *Excludes 1,283 thousand shares for the three months ended June 30, 2018 (2017 – 1,029 thousand) related to outstanding stock options that were anti-dilutive. Excludes 977 thousand shares for the six months ended June 30, 2018 (2017 – 980 thousand) related to outstanding stock options that were anti-dilutive.*

NOTE 16 SEGMENTED INFORMATION

The Company's reportable segments are:

- Investors Group
- Mackenzie
- Corporate and Other

These segments reflect the Company's internal financial reporting and performance measurement. In 2017, the Company announced the combination of investment management functions of Investors Group and Mackenzie resulting in the formation of a single global investment management organization. As a result, the Company has changed the methodology used to charge its segments the costs associated with the single investment management function to better align it with internal reporting.

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 and China AMC (Note 6), net investment income on unallocated investments, other income, and also includes consolidation elimination entries.

2018

THREE MONTHS ENDED JUNE 30	INVESTORS GROUP	MACKENZIE	CORPORATE AND OTHER	TOTAL
Revenues				
Management fees	$ 365,826	$ 176,999	$ 19,956	$ 562,781
Administration fees	77,510	24,917	4,696	107,123
Distribution fees	40,489	1,541	47,867	89,897
Net investment income and other	12,095	2,437	4,045	18,577
Proportionate share of associates' earnings	–	–	37,583	37,583
	495,920	205,894	114,147	815,961
Expenses				
Commission	151,708	72,940	45,516	270,164
Non-commission	146,857	84,306	21,464	252,627
	298,565	157,246	66,980	522,791
Earnings before undernoted	$ 197,355	$ 48,648	$ 47,167	293,170
Interest expense				(28,770)
Earnings before income taxes				264,400
Income taxes				58,483
Net earnings				205,917
Perpetual preferred share dividends				2,212
Net earnings available to common shareholders				$ 203,705

NOTE 16 SEGMENTED INFORMATION *(continued)*

2017

THREE MONTHS ENDED JUNE 30	INVESTORS GROUP	MACKENZIE	CORPORATE AND OTHER	TOTAL
Revenues				
Management fees	$ 354,583	$ 177,259	$ 15,160	$ 547,002
Administration fees	81,359	24,923	4,956	111,238
Distribution fees	46,485	1,849	46,441	94,775
Net investment income and other	22,080	(1,854)	5,239	25,465
Proportionate share of associates' earnings	–	–	24,856	24,856
	504,507	202,177	96,652	803,336
Expenses				
Commission	162,918	75,509	46,021	284,448
Non-commission	147,674	83,204	15,638	246,516
	310,592	158,713	61,659	530,964
Earnings before undernoted	$ 193,915	$ 43,464	$ 34,993	272,372
Interest expense				(28,703)
Pension plan				50,381
Restructuring and other charges				(22,940)
Proportionate share of affiliate's provision				(5,098)
Earnings before income taxes				266,012
Income taxes				62,997
Net earnings				203,015
Perpetual preferred share dividends				2,212
Net earnings available to common shareholders				$ 200,803

NOTE 16 SEGMENTED INFORMATION *(continued)*

2018

SIX MONTHS ENDED JUNE 30	INVESTORS GROUP	MACKENZIE	CORPORATE AND OTHER	TOTAL
Revenues				
Management fees	$ 726,633	$ 352,929	$ 39,820	$ 1,119,382
Administration fees	155,551	49,799	9,307	214,657
Distribution fees	83,807	3,607	95,803	183,217
Net investment income and other	22,431	2,263	8,092	32,786
Proportionate share of associates' earnings	–	–	75,567	75,567
	988,422	408,598	228,589	1,625,609
Expenses				
Commission	316,466	148,213	91,583	556,262
Non-commission	291,583	170,136	44,053	505,772
	608,049	318,349	135,636	1,062,034
Earnings before undernoted	$ 380,373	$ 90,249	$ 92,953	563,575
Interest expense				(59,034)
Earnings before income taxes				504,541
Income taxes				110,873
Net earnings				393,668
Perpetual preferred share dividends				4,425
Net earnings available to common shareholders				$ 389,243
Identifiable assets	$ 8,882,059	$ 1,188,854	$ 2,940,980	$ 13,011,893
Goodwill	1,347,781	1,168,580	143,906	2,660,267
Total assets	$ 10,229,840	$ 2,357,434	$ 3,084,886	$ 15,672,160

NOTE 16 SEGMENTED INFORMATION *(continued)*

2017

SIX MONTHS ENDED JUNE 30	INVESTORS GROUP	MACKENZIE	CORPORATE AND OTHER	TOTAL
Revenues				
Management fees	$ 695,654	$ 349,020	$ 30,029	$ 1,074,703
Administration fees	161,227	49,323	9,652	220,202
Distribution fees	103,593	4,188	92,254	200,035
Net investment income and other	40,106	(1,774)	6,890	45,222
Proportionate share of associates' earnings	–	–	52,875	52,875
	1,000,580	400,757	191,700	1,593,037
Expenses				
Commission	332,474	150,094	91,187	573,755
Non-commission	295,433	165,730	32,254	493,417
	627,907	315,824	123,441	1,067,172
Earnings before undernoted	$ 372,673	$ 84,933	$ 68,259	525,865
Interest expense				(55,490)
Pension plan				50,381
Restructuring and other charges				(22,940)
Proportionate share of affiliate's provision				(5,098)
Earnings before income taxes				492,718
Income taxes				110,371
Net earnings				382,347
Perpetual preferred share dividends				4,425
Net earnings available to common shareholders				$ 377,922
Identifiable assets	$ 9,480,659	$ 1,307,899	$ 2,654,612	$ 13,443,170
Goodwill	1,347,781	1,168,580	143,906	2,660,267
Total assets	$ 10,828,440	$ 2,476,479	$ 2,798,518	$ 16,103,437