

Interim Condensed Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF EARNINGS

<i>(unaudited)</i> <i>(in thousands of Canadian dollars, except per share amounts)</i>	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2021	2020	2021	2020
Revenues (Note 3)				
Wealth management	\$ 627,638	\$ 531,066	\$ 1,231,089	\$ 1,093,799
Asset management	248,312	190,757	481,302	389,199
Dealer compensation expense	(82,701)	(66,096)	(163,410)	(137,477)
Net asset management	165,611	124,661	317,892	251,722
Net investment income and other	2,475	7,502	5,609	5,603
Proportionate share of associates' earnings (Note 7)	48,153	43,379	89,742	63,424
	843,877	706,608	1,644,332	1,414,548
Expenses				
Advisory and business development	291,124	245,419	575,150	504,533
Operations and support	196,685	185,417	403,224	380,524
Sub-advisory	20,472	16,899	40,201	34,401
Interest	28,496	27,470	56,616	54,777
	536,777	475,205	1,075,191	974,235
Earnings before income taxes	307,100	231,403	569,141	440,313
Income taxes	69,354	47,861	129,025	95,895
Net earnings	237,746	183,542	440,116	344,418
Non-controlling interest (Note 7)	(357)	–	(547)	–
Net earnings available to common shareholders	\$ 237,389	\$ 183,542	\$ 439,569	\$ 344,418
Earnings per share (in dollars) (Note 14)				
– Basic	\$ 0.99	\$ 0.77	\$ 1.84	\$ 1.45
– Diluted	\$ 0.99	\$ 0.77	\$ 1.84	\$ 1.45

(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	
	2021	2020	2021	2020
Net earnings	\$ 237,746	\$ 183,542	\$ 440,116	\$ 344,418
Other comprehensive income (loss), net of tax				
Items that will not be reclassified to Net earnings				
Fair value through other comprehensive income investments (Note 4)				
Other comprehensive income (loss), net of tax of \$(325), \$284, \$(125,359), and \$(38)	2,080	(1,841)	803,225	227
Employee benefits				
Net actuarial gains (losses), net of tax of \$(497), \$25,474, \$(31,237) and \$4,509	1,349	(68,883)	84,464	(12,187)
Investment in associates – employee benefits and other				
Other comprehensive income (loss), net of tax of nil	17,437	8,628	22,030	14,197
Items that may be reclassified subsequently to Net earnings				
Investment in associates and other				
Other comprehensive income (loss), net of tax of \$(1,373), \$1,903, \$(1,142) and \$(374)	(10,601)	3,913	(28,206)	55,494
	10,265	(58,183)	881,513	57,731
Total comprehensive income	\$ 248,011	\$ 125,359	\$ 1,321,629	\$ 402,149

(See accompanying notes to interim condensed consolidated financial statements)

CONSOLIDATED BALANCE SHEETS

(unaudited)
(in thousands of Canadian dollars)

JUNE 30
2021

DECEMBER 31
2020

Assets

Cash and cash equivalents	\$ 966,814	\$ 771,585
Other investments (Note 4)	1,317,345	632,300
Client funds on deposit	1,473,022	1,063,442
Accounts and other receivables	433,040	444,458
Income taxes recoverable	43,507	30,366
Loans (Note 5)	5,830,108	6,331,855
Derivative financial instruments	41,257	37,334
Other assets	61,872	49,782
Investment in associates (Note 7)	1,947,018	1,931,168
Capital assets	330,466	329,690
Capitalized sales commissions	283,250	231,085
Deferred income taxes	33,483	84,624
Intangible assets	1,333,405	1,321,590
Goodwill	2,802,066	2,803,075
	\$ 16,896,653	\$ 16,062,354

Liabilities

Accounts payable and accrued liabilities	\$ 503,957	\$ 486,575
Income taxes payable	36,194	7,146
Derivative financial instruments	22,319	34,514
Deposits and certificates	1,463,429	1,104,889
Other liabilities	384,266	536,141
Obligations to securitization entities (Note 6)	5,564,826	6,173,886
Lease obligations	201,322	188,334
Deferred income taxes	500,526	388,079
Long-term debt	2,100,000	2,100,000
	10,776,839	11,019,564

Shareholders' Equity

Share capital		
Common shares	1,621,172	1,598,381
Contributed surplus	52,230	51,663
Retained earnings	3,585,231	3,207,469
Accumulated other comprehensive income (loss)	811,227	136,364
Non-controlling interest	49,954	48,913
	6,119,814	5,042,790
	\$ 16,896,653	\$ 16,062,354

These interim condensed consolidated financial statements were approved and authorized for issuance by the Board of Directors on August 4, 2021.

(See accompanying notes to interim condensed consolidated financial statements)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

SIX MONTHS ENDED JUNE 30

<i>(unaudited)</i> <i>(in thousands of Canadian dollars)</i>	SHARE CAPITAL – COMMON SHARES <i>(Note 8)</i>	CONTRIBUTED SURPLUS	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) <i>(Note 11)</i>	NON- CONTROLLING INTEREST	TOTAL SHAREHOLDERS' EQUITY
2021						
Balance, beginning of period	\$ 1,598,381	\$ 51,663	\$ 3,207,469	\$ 136,364	\$ 48,913	\$ 5,042,790
Net earnings	-	-	440,116	-	-	440,116
Other comprehensive income (loss), net of tax	-	-	-	881,513	-	881,513
Total comprehensive income	-	-	440,116	881,513	-	1,321,629
Common shares						
Issued under stock option plan	22,791	-	-	-	-	22,791
Stock options						
Current period expense	-	1,832	-	-	-	1,832
Exercised	-	(1,265)	-	-	-	(1,265)
Common share dividends	-	-	(268,457)	-	-	(268,457)
Non-controlling interest	-	-	(547)	-	1,041	494
Transfer out of fair value through other comprehensive income <i>(Note 4)</i>	-	-	206,650	(206,650)	-	-
Balance, end of period	\$ 1,621,172	\$ 52,230	\$ 3,585,231	\$ 811,227	\$ 49,954	\$ 6,119,814
2020						
Balance, beginning of period	\$ 1,597,860	\$ 48,677	\$ 2,980,260	\$ (127,702)	\$ -	\$ 4,499,095
Net earnings	-	-	344,418	-	-	344,418
Other comprehensive income (loss), net of tax	-	-	-	57,731	-	57,731
Total comprehensive income	-	-	344,418	57,731	-	402,149
Common shares						
Issued under stock option plan	521	-	-	-	-	521
Stock options						
Current period expense	-	1,463	-	-	-	1,463
Exercised	-	(24)	-	-	-	(24)
Common share dividends	-	-	(268,097)	-	-	(268,097)
Other	-	-	(2,735)	-	-	(2,735)
Balance, end of period	\$ 1,598,381	\$ 50,116	\$ 3,053,846	\$ (69,971)	\$ -	\$ 4,632,372

(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

	2021	2020
Operating activities		
Earnings before income taxes	\$ 569,141	\$ 440,313
Income taxes paid	(104,576)	(61,643)
Adjustments to determine net cash from operating activities		
Capitalized sales commission amortization	25,710	16,305
Capitalized sales commissions paid	(77,876)	(56,391)
Amortization of capital, intangible and other assets	49,557	40,490
Proportionate share of associates' earnings, net of dividends received	(30,157)	(17,030)
Pension and other post-employment benefits	9,239	438
Changes in operating assets and liabilities and other	(107,461)	(36,178)
Cash from operating activities before restructuring provision payments	333,577	326,304
Restructuring provision cash payments	(44,116)	(3,559)
	289,461	322,745
Financing activities		
Net decrease in deposits and certificates	(3,716)	(4,038)
Increase in obligations to securitization entities	844,878	552,481
Repayments of obligations to securitization entities and other	(1,405,948)	(905,028)
Repayments of lease obligations	(12,151)	(12,317)
Issue of common shares	21,525	498
Common share dividends paid	(268,139)	(268,089)
	(823,551)	(636,493)
Investing activities		
Purchase of other investments	(56,696)	(25,859)
Proceeds from the sale of other investments	302,231	15,006
Increase in loans	(970,888)	(817,182)
Repayment of loans and other	1,499,252	1,103,064
Net additions to capital assets	(8,316)	(15,078)
Net cash used in additions to intangible assets	(36,264)	(29,292)
	729,319	230,659
Increase (decrease) in cash and cash equivalents	195,229	(83,089)
Cash and cash equivalents, beginning of period	771,585	720,005
Cash and cash equivalents, end of period	\$ 966,814	\$ 636,916
Cash	\$ 186,821	\$ 59,731
Cash equivalents	779,993	577,185
	\$ 966,814	\$ 636,916
Supplemental disclosure of cash flow information related to operating activities		
Interest and dividends received	\$ 139,932	\$ 146,668
Interest paid	\$ 113,715	\$ 133,567

(See accompanying notes to interim condensed consolidated financial statements)

Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2021 (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 Corporation of Canada.

IGM Financial Inc. is a wealth and asset management 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 (Mackenzie).

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, 2020. The Interim Financial Statements should be read in conjunction with the Consolidated Financial Statements in the 2020 IGM Financial Inc. Annual Report.

FUTURE ACCOUNTING CHANGES

The Company continuously monitors the potential changes proposed by the IASB and analyzes the effect that changes in the standards may have on the Company's operations.

NOTE 3 REVENUES FROM CONTRACTS WITH CUSTOMERS

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2021	2020	2021	2020
Advisory fees	\$ 344,223	\$ 292,480	\$ 672,683	\$ 596,959
Product and program fees	235,136	200,392	459,944	411,569
	579,359	492,872	1,132,627	1,008,528
Redemption fees	2,692	2,919	6,452	9,088
Other financial planning revenues	45,587	35,275	92,010	76,183
Wealth management	627,638	531,066	1,231,089	1,093,799
Asset management	248,312	190,757	481,302	389,199
Dealer compensation expense	(82,701)	(66,096)	(163,410)	(137,477)
Net asset management	165,611	124,661	317,892	251,722
Net revenues from contracts with customers	\$ 793,249	\$ 655,727	\$ 1,548,981	\$ 1,345,521

Wealth management revenue is earned by providing financial planning, investment advisory and related financial services. Advisory fees, related to financial planning, are associated with assets under management and advisement. Product and program fees, related to investment management and administration services, are associated with assets under management. Other financial planning revenues include insurance, banking products and services, and mortgage lending activities.

Asset management revenue, related to investment management advisory and administrative services, depends on the level and composition of assets under management.

NOTE 4 OTHER INVESTMENTS

	JUNE 30, 2021		DECEMBER 31, 2020	
	COST	FAIR VALUE	COST	FAIR VALUE
Fair value through other comprehensive income (FVTOCI)				
Corporate investments	\$ 223,610	\$ 1,255,150	\$ 251,417	\$ 593,273
Fair value through profit or loss (FVTPL)				
Equity securities	1,551	1,745	1,499	1,513
Proprietary investment funds	56,201	60,450	35,254	37,514
	57,752	62,195	36,753	39,027
	\$ 281,362	\$ 1,317,345	\$ 288,170	\$ 632,300

Wealthsimple Financial Corp. (Wealthsimple) is an online investment manager that provides financial investment guidance. The investment is classified at Fair Value Through Other Comprehensive Income.

On May 3, 2021, Wealthsimple announced a \$750 million equity fundraising, valuing IGM Financial Inc.'s investment in Wealthsimple at \$1,448 million. As part of the transaction, IGM Financial Inc. disposed of a portion of its investment for proceeds of \$294 million (\$258 million after-tax).

In the second quarter of 2021, a realized gain of \$239 million (\$207 million after-tax) was transferred from Accumulated other comprehensive income to Other retained earnings.

The Company continues to be the largest shareholder in Wealthsimple with an interest of 23% and fair value of \$1,153 million.

NOTE 5 LOANS

	CONTRACTUAL MATURITY			JUNE 30 2021 TOTAL	DECEMBER 31 2020 TOTAL
	1 YEAR OR LESS	1 - 5 YEARS	OVER 5 YEARS		
Amortized cost					
Residential mortgages	\$ 1,060,125	\$ 4,748,095	\$ 10,313	\$ 5,818,533	\$ 6,329,342
Less: Allowance for expected credit losses				677	778
				5,817,856	6,328,564
Fair value through profit or loss				12,252	3,291
				\$ 5,830,108	\$ 6,331,855

The change in the allowance for expected credit losses is as follows:

Balance, beginning of period	\$ 778	\$ 675
Write-offs, net of recoveries	(206)	(562)
Expected credit losses	105	665
Balance, end of period	\$ 677	\$ 778

Total credit impaired loans as at June 30, 2021 were \$4,254 (December 31, 2020 – \$4,807).

Total interest income on loans was \$82.2 million (2020 – \$97.5 million). Total interest expense on obligations to securitization entities, related to securitized loans, was \$58.6 million (2020 – \$79.5 million). Gains realized on the sale of residential mortgages totalled \$1.6 million (2020 – \$2.9 million). Fair value adjustments related to mortgage banking operations totalled \$0.1 million (2020 – negative \$4.1 million). These amounts were included in Wealth management revenue. Wealth management revenue also includes other mortgage banking related items including portfolio insurance, issue costs, and other items.

NOTE 6 SECURITIZATIONS

The Company securitizes residential mortgages through the Canada Mortgage and Housing Corporation (CMHC) sponsored National Housing Act Mortgage-Backed Securities (NHA MBS) Program and Canada Mortgage Bond (CMB) Program and through Canadian bank-sponsored asset-backed commercial paper (ABCP) programs. These transactions do not meet the requirements for derecognition as the Company retains prepayment risk and certain elements of credit risk. Accordingly, the Company has retained these mortgages on its balance sheets and has recorded 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, and the hedging swap used to manage exposure to changes in variable rate investment returns, are recorded as derivatives with a fair value of \$2.1 million at June 30, 2021 (December 31, 2020 – negative \$1.2 million).

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.

	SECURITIZED MORTGAGES	OBLIGATIONS TO SECURITIZATION ENTITIES	NET
JUNE 30, 2021			
Carrying value			
NHA MBS and CMB Program	\$ 2,827,719	\$ 2,869,657	\$ (41,938)
Bank sponsored ABCP	2,633,082	2,695,169	(62,087)
Total	\$ 5,460,801	\$ 5,564,826	\$ (104,025)
Fair value	\$ 5,546,596	\$ 5,701,423	\$ (154,827)
DECEMBER 31, 2020			
Carrying value			
NHA MBS and CMB Program	\$ 3,216,158	\$ 3,307,428	\$ (91,270)
Bank sponsored ABCP	2,767,743	2,866,458	(98,715)
Total	\$ 5,983,901	\$ 6,173,886	\$ (189,985)
Fair value	\$ 6,186,410	\$ 6,345,189	\$ (158,779)

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 7 INVESTMENT IN ASSOCIATES

	LIFECO	CHINA AMC	NORTHLEAF	PERSONAL CAPITAL	TOTAL
JUNE 30, 2021					
Balance, beginning of period	\$ 962,388	\$ 720,282	\$ 248,498	\$ -	\$ 1,931,168
Additions	-	-	466	-	466
Dividends	(32,708)	(26,877)	-	-	(59,585)
Proportionate share of:					
Earnings (losses)	59,410	27,598	2,734 ⁽¹⁾	-	89,742
Other comprehensive income (loss) and other adjustments	(3,237)	(11,536)	-	-	(14,773)
Balance, end of period	\$ 985,853	\$ 709,467	\$ 251,698	\$ -	\$ 1,947,018
JUNE 30, 2020					
Balance, beginning of period	\$ 896,651	\$ 662,694	\$ -	\$ 194,537	\$ 1,753,882
Dividends	(32,708)	(13,686)	-	-	(46,394)
Proportionate share of:					
Earnings (losses)	48,887	19,177	-	(4,640)	63,424
Other comprehensive income (loss) and other adjustments	45,289	20,957	-	8,817	75,063
Transfer to Other assets	-	-	-	(198,714)	(198,714)
Balance, end of period	\$ 958,119	\$ 689,142	\$ -	\$ -	\$ 1,647,261

(1) Net of Non-controlling interest, the Company's proportionate share of Northleaf's earnings was \$2,187.

The Company uses the equity method to account for its investments in Great-West Lifeco Inc., China Asset Management Co., Ltd. and Northleaf Capital Group Ltd. as it exercises significant influence. In 2020, the Company sold its equity interest in Personal Capital Corporation to a subsidiary of Lifeco, Empower Retirement.

NOTE 8 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, 2021		JUNE 30, 2020	
	SHARES	STATED VALUE	SHARES	STATED VALUE
Common shares:				
Balance, beginning of period	238,308,284	\$ 1,598,381	238,294,090	\$ 1,597,860
Issued under Stock Option Plan	566,760	22,791	14,194	521
Balance, end of period	238,875,044	\$ 1,621,172	238,308,284	\$ 1,598,381

NOTE 9 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 2021 Report to Shareholders and in Note 18 to the Consolidated Financial Statements in the 2020 IGM Financial Inc. Annual Report and have not changed significantly since December 31, 2020.

NOTE 10 SHARE-BASED PAYMENTS

STOCK OPTION PLAN

	JUNE 30 2021	DECEMBER 31 2020
Common share options		
– Outstanding	12,498,687	11,930,224
– Exercisable	6,755,502	6,326,067

In the second quarter of 2021, there were 11,310 options granted to employees (2020 – nil). In the six months ended June 30, 2021, the Company granted 1,615,650 options to employees (2020 – 1,537,165). The weighted-average fair value of options granted during the six months ended June 30, 2021, has been estimated at \$2.70 per option (2020 – \$1.31) using the Black-Scholes option pricing model. The weighted-average closing share price at the grant dates was \$34.98.

Other assumptions used in these valuation models include:

	SIX MONTHS ENDED JUNE 30	
	2021	2020
Exercise price	\$ 35.08	\$ 38.65
Risk-free interest rate	1.29%	1.32%
Expected option life	7 years	7 years
Expected volatility	23.00%	17.00%
Expected dividend yield	6.44%	6.18%

Expected volatility has been estimated based on the historic volatility of the Company's share price over seven 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 11 ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	EMPLOYEE BENEFITS	OTHER INVESTMENTS	INVESTMENT IN ASSOCIATES AND OTHER	TOTAL
JUNE 30, 2021				
Balance, beginning of period	\$ (196,949)	\$ 293,448	\$ 39,865	\$ 136,364
Other comprehensive income (loss)	84,464	803,225	(6,176)	881,513
Transfer out of FVTOCI	–	(206,650)	–	(206,650)
Balance, end of period	\$ (112,485)	\$ 890,023	\$ 33,689	\$ 811,227
JUNE 30, 2020				
Balance, beginning of period	\$ (165,947)	\$ 46,363	\$ (8,118)	\$ (127,702)
Other comprehensive income (loss)	(12,187)	227	69,691	57,731
Balance, end of period	\$ (178,134)	\$ 46,590	\$ 61,573	\$ (69,971)

Amounts are recorded net of tax.

NOTE 12 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 2021 Report to Shareholders and in Note 21 to the Consolidated Financial Statements in the 2020 IGM Financial Inc. Annual Report and have not changed significantly since December 31, 2020.

NOTE 13 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

Fair value is determined using the following methods and assumptions:

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.

NOTE 13 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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.

	CARRYING VALUE	FAIR VALUE			TOTAL
		LEVEL 1	LEVEL 2	LEVEL 3	
JUNE 30, 2021					
Financial assets recorded at fair value					
Other investments					
– FVTOCI	\$ 1,255,150	\$ –	\$ –	\$ 1,255,150	\$ 1,255,150
– FVTPL	62,195	52,102	9,764	329	62,195
Loans					
– FVTPL	12,252	–	12,252	–	12,252
Derivative financial instruments	41,257	–	36,113	5,144	41,257
Financial assets recorded at amortized cost					
Loans					
– Amortized cost	5,817,856	–	355,077	5,546,596	5,901,673
Financial liabilities recorded at fair value					
Derivative financial instruments	22,319	–	9,063	13,256	22,319
Financial liabilities recorded at amortized cost					
Deposits and certificates	1,463,429	–	1,463,723	–	1,463,723
Obligations to securitization entities	5,564,826	–	–	5,701,423	5,701,423
Long-term debt	2,100,000	–	2,538,842	–	2,538,842
DECEMBER 31, 2020					
Financial assets recorded at fair value					
Other investments					
– FVTOCI	\$ 593,273	\$ –	\$ –	\$ 593,273	\$ 593,273
– FVTPL	39,027	38,748	–	279	39,027
Loans					
– FVTPL	3,291	–	3,291	–	3,291
Derivative financial instruments	37,334	–	35,389	1,945	37,334
Financial assets recorded at amortized cost					
Loans					
– Amortized cost	6,328,564	–	346,428	6,186,410	6,532,838
Financial liabilities recorded at fair value					
Derivative financial instruments	34,514	–	11,466	23,048	34,514
Financial liabilities recorded at amortized cost					
Deposits and certificates	1,104,889	–	1,105,384	–	1,105,384
Obligations to securitization entities	6,173,886	–	–	6,345,189	6,345,189
Long-term debt	2,100,000	–	2,653,814	–	2,653,814

There were no significant transfers between Level 1 and Level 2 in 2021 and 2020.

NOTE 13 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, 2021							
Other investments							
– FVTOCI	\$ 593,273	\$ –	\$ 928,584	\$ 8,721	\$ –	\$ (275,428) ⁽²⁾	\$ 1,255,150
– FVTPL	279	50	–	–	–	–	329
Derivative financial instruments, net	(21,103)	7,425	–	1,358	(4,208)	–	(8,112)
JUNE 30, 2020							
Other investments							
– FVTOCI	\$ 301,196	\$ –	\$ 265	\$ 4,371	\$ –	\$ –	\$ 305,832
– FVTPL	563	(205)	–	–	–	–	358
Derivative financial instruments, net	(906)	(26,082)	–	1,226	(1,929)	–	(23,833)

(1) Included in Wealth management revenue or Operations and support expenses in the Consolidated Statements of Earnings.

(2) Related to the disposition of a portion of IGM Financial Inc.'s investment in Wealthsimple (Note 4).

NOTE 14 EARNINGS PER COMMON SHARE

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2021	2020	2021	2020
Earnings				
Net earnings	\$ 237,746	\$ 183,542	\$ 440,116	\$ 344,418
Non-controlling interest	(357)	–	(547)	–
Net earnings available to common shareholders	\$ 237,389	\$ 183,542	\$ 439,569	\$ 344,418
Number of common shares <i>(in thousands)</i>				
Weighted average number of common shares outstanding	238,625	238,308	238,475	238,305
Add: Potential exercise of outstanding stock options ⁽¹⁾	1,196	–	573	–
Average number of common shares outstanding – diluted basis	239,821	238,308	239,048	238,305
Earnings per common share <i>(in dollars)</i>				
– Basic	\$ 0.99	\$ 0.77	\$ 1.84	\$ 1.45
– Diluted	\$ 0.99	\$ 0.77	\$ 1.84	\$ 1.45

(1) Excludes 286 thousand shares for the three months ended June 30, 2021 (2020 – 4,613 thousand) related to outstanding stock options that were anti-dilutive. Excludes 655 thousand shares for the six months ended June 30, 2021 (2020 – 3,131 thousand) related to outstanding stock options that were anti-dilutive.

NOTE 15 COVID-19

Governments worldwide have enacted emergency measures to combat the spread of a novel strain of coronavirus (COVID-19). These measures, which include the implementation of travel bans, closing of non-essential businesses, self-imposed quarantine periods and social distancing, have caused significant volatility in global equity markets and material disruption to businesses globally resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions.

The Company has implemented its business continuity plan as a result of these events, which has included moving substantially all employees and consultants to work from home and further supporting the Company's information technology infrastructure.

The distribution of vaccines has resulted in the easing of restrictions in many economies and has contributed to strong gains in certain economic sectors during 2021. However, vaccine effectiveness against new variants of the virus contribute towards uncertainty of the timing of a full economic recovery. As a result, it is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operating subsidiaries in future periods.

NOTE 16 SEGMENTED INFORMATION

The Company's reportable segments are:

- Wealth Management
- Asset Management
- Strategic Investments and Other

These segments reflect the Company's internal financial reporting and performance measurement.

- **Wealth Management** – reflects the activities of operating companies that are principally focused on providing financial planning and related services to Canadian households. This segment includes the activities of IG Wealth Management and Investment Planning Counsel. These firms are retail distribution organizations who serve Canadian households through their securities dealers, mutual fund dealers and other subsidiaries licensed to distribute financial products and services. A majority of the revenues of this segment are derived from providing financial advice and distributing financial products and services to Canadian households. This segment also includes the investment management activities of these organizations, including mutual fund management and discretionary portfolio management services.
- **Asset Management** – reflects the activities of operating companies primarily focused on providing investment management services, and represents the operations of Mackenzie Investments. Investment management services are provided to a suite of investment funds that are distributed through third party dealers and financial advisors, and also through institutional advisory mandates to financial institutions, pensions and other institutional investors.
- **Strategic Investments and Other** – primarily represents the key strategic investments made by the Company, including China Asset Management Co., Ltd., Great-West Lifeco Inc., Northleaf Capital Group Ltd., Wealthsimple Financial Corp., and Portag3 Ventures LPs. Unallocated capital is also included within this segment.

Effective January 1, 2021, the Company expanded its reportable segment disclosures to report to Net earnings, whereas previously it was reported to Earnings before interest and taxes. The Company restated comparative figures in its segment results to conform to the current period's presentation. These changes further build on the disclosure enhancements announced by the Company in the third quarter of 2020, which were introduced to improve transparency into key drivers of each business line and help stakeholders understand and assess components of value.

NOTE 16 SEGMENTED INFORMATION *(continued)*

2021

THREE MONTHS ENDED JUNE 30	WEALTH MANAGEMENT	ASSET MANAGEMENT	STRATEGIC INVESTMENTS AND OTHER	INTERSEGMENT	TOTAL
Revenues					
Wealth management	\$ 632,438	\$ -	\$ -	\$ (4,800)	\$ 627,638
Asset management	-	276,278	-	(27,966)	248,312
Dealer compensation	-	(87,496)	-	4,795	(82,701)
Net asset management	-	188,782	-	(23,171)	165,611
Net investment income and other	673	1,169	697	(64)	2,475
Proportionate share of associates' earnings	-	-	48,153	-	48,153
	633,111	189,951	48,850	(28,035)	843,877
Expenses					
Advisory and business development	266,036	25,093	-	(5)	291,124
Operations and support	114,967	80,585	1,197	(64)	196,685
Sub-advisory	46,542	1,896	-	(27,966)	20,472
	427,545	107,574	1,197	(28,035)	508,281
	205,566	82,377	47,653	-	335,596
Interest expense ⁽¹⁾	22,586	5,910	-	-	28,496
Earnings before income taxes	182,980	76,467	47,653	-	307,100
Income taxes	48,633	19,950	771	-	69,354
	134,347	56,517	46,882	-	237,746
Non-controlling interest	-	-	(357)	-	(357)
Net earnings available to common shareholders	\$ 134,347	\$ 56,517	\$ 46,525	\$ -	\$ 237,389

(1) Interest expense includes interest on long-term debt and interest on leases.

NOTE 16 SEGMENTED INFORMATION *(continued)*

2020

THREE MONTHS ENDED JUNE 30	WEALTH MANAGEMENT	ASSET MANAGEMENT	STRATEGIC INVESTMENTS AND OTHER	INTERSEGMENT	TOTAL
Revenues					
Wealth management	\$ 534,934	\$ -	\$ -	\$ (3,868)	\$ 531,066
Asset management	-	214,613	-	(23,856)	190,757
Dealer compensation	-	(69,977)	-	3,881	(66,096)
Net asset management	-	144,636	-	(19,975)	124,661
Net investment income and other	1,807	2,965	2,776	(46)	7,502
Proportionate share of associates' earnings	-	-	43,379	-	43,379
	536,741	147,601	46,155	(23,889)	706,608
Expenses					
Advisory and business development	229,420	16,001	-	(2)	245,419
Operations and support	109,606	74,706	1,136	(31)	185,417
Sub-advisory	38,565	2,190	-	(23,856)	16,899
	377,591	92,897	1,136	(23,889)	447,735
	159,150	54,704	45,019	-	258,873
Interest expense ⁽¹⁾	22,297	5,173	-	-	27,470
Earnings before income taxes	136,853	49,531	45,019	-	231,403
Income taxes	36,399	12,927	(1,465)	-	47,861
	100,454	36,604	46,484	-	183,542
Non-controlling interest	-	-	-	-	-
Net earnings available to common shareholders	\$ 100,454	\$ 36,604	\$ 46,484	\$ -	\$ 183,542

(1) Interest expense includes interest on long-term debt and interest on leases.

NOTE 16 SEGMENTED INFORMATION *(continued)*

2021

SIX MONTHS ENDED JUNE 30	WEALTH MANAGEMENT	ASSET MANAGEMENT	STRATEGIC INVESTMENTS AND OTHER	INTERSEGMENT	TOTAL
Revenues					
Wealth management	\$ 1,240,435	\$ -	\$ -	\$ (9,346)	\$ 1,231,089
Asset management	-	536,181	-	(54,879)	481,302
Dealer compensation	-	(172,749)	-	9,339	(163,410)
Net asset management	-	363,432	-	(45,540)	317,892
Net investment income and other	2,420	2,364	949	(124)	5,609
Proportionate share of associates' earnings	-	-	89,742	-	89,742
	1,242,855	365,796	90,691	(55,010)	1,644,332
Expenses					
Advisory and business development	529,751	45,406	-	(7)	575,150
Operations and support	236,955	164,033	2,362	(126)	403,224
Sub-advisory	91,475	3,603	-	(54,877)	40,201
	858,181	213,042	2,362	(55,010)	1,018,575
	384,674	152,754	88,329	-	625,757
Interest expense ⁽¹⁾	44,845	11,771	-	-	56,616
Earnings before income taxes	339,829	140,983	88,329	-	569,141
Income taxes	90,711	36,475	1,839	-	129,025
	249,118	104,508	86,490	-	440,116
Non-controlling interest	-	-	(547)	-	(547)
Net earnings available to common shareholders	\$ 249,118	\$ 104,508	\$ 85,943	\$ -	\$ 439,569
Identifiable assets					
Goodwill	\$ 8,880,546	\$ 1,429,072	\$ 3,784,969	\$ -	\$ 14,094,587
	1,491,687	1,310,379	-	-	2,802,066
Total assets	\$ 10,372,233	\$ 2,739,451	\$ 3,784,969	\$ -	\$ 16,896,653

(1) Interest expense includes interest on long-term debt and interest on leases.

NOTE 16 SEGMENTED INFORMATION (continued)

2020

SIX MONTHS ENDED JUNE 30	WEALTH MANAGEMENT	ASSET MANAGEMENT	STRATEGIC INVESTMENTS AND OTHER	INTERSEGMENT	TOTAL
Revenues					
Wealth management	\$ 1,101,730	\$ -	\$ -	\$ (7,931)	\$ 1,093,799
Asset management	-	438,297	-	(49,098)	389,199
Dealer compensation	-	(145,400)	-	7,923	(137,477)
Net asset management	-	292,897	-	(41,175)	251,722
Net investment income and other	640	755	4,300	(92)	5,603
Proportionate share of associates' earnings	-	-	63,424	-	63,424
	1,102,370	293,652	67,724	(49,198)	1,414,548
Expenses					
Advisory and business development	468,702	35,839	-	(8)	504,533
Operations and support	229,188	149,424	2,003	(91)	380,524
Sub-advisory	78,797	4,703	-	(49,099)	34,401
	776,687	189,966	2,003	(49,198)	919,458
	325,683	103,686	65,721	-	495,090
Interest expense ⁽¹⁾	44,529	10,248	-	-	54,777
Earnings before income taxes	281,154	93,438	65,721	-	440,313
Income taxes	75,097	24,545	(3,747)	-	95,895
	206,057	68,893	69,468	-	344,418
Non-controlling interest	-	-	-	-	-
Net earnings available to common shareholders	\$ 206,057	\$ 68,893	\$ 69,468	\$ -	\$ 344,418
Identifiable assets					
Goodwill	\$ 8,985,679	\$ 1,275,523	\$ 2,527,675	\$ -	\$ 12,788,877
	1,491,687	1,168,580	-	-	2,660,267
Total assets	\$ 10,477,366	\$ 2,444,103	\$ 2,527,675	\$ -	\$ 15,449,144

(1) Interest expense includes interest on long-term debt and interest on leases.