

# Interim Condensed Consolidated Financial Statements

## Consolidated Statements of Earnings

(unaudited) (in thousands of Canadian dollars, except per share amounts)	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
<b>Revenues</b>				
Wealth management (Note 3)	\$ 611,066	\$ 627,638	\$ 1,252,271	\$ 1,231,089
Asset management	241,585	248,312	497,415	481,302
Dealer compensation expense	(77,421)	(82,701)	(163,612)	(163,410)
Net asset management (Note 3)	164,164	165,611	333,803	317,892
Net investment income and other	(540)	2,475	(2,558)	5,609
Proportionate share of associates' earnings (Note 7)	50,033	48,153	98,433	89,742
	824,723	843,877	1,681,949	1,644,332
<b>Expenses</b>				
Advisory and business development	303,828	291,124	612,936	575,150
Operations and support	206,426	196,685	421,854	403,224
Sub-advisory	18,311	20,472	38,949	40,201
Interest	28,386	28,496	56,519	56,616
	556,951	536,777	1,130,258	1,075,191
Earnings before income taxes	267,772	307,100	551,691	569,141
Income taxes	59,441	69,354	123,195	129,025
<b>Net earnings</b>	208,331	237,746	428,496	440,116
Non-controlling interest (Note 7)	(1,230)	(357)	(2,079)	(547)
<b>Net earnings available to common shareholders</b>	\$ 207,101	\$ 237,389	\$ 426,417	\$ 439,569
Earnings per share (in dollars) (Note 15)				
– Basic	\$ 0.87	\$ 0.99	\$ 1.78	\$ 1.84
– Diluted	\$ 0.87	\$ 0.99	\$ 1.78	\$ 1.84

(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	
	2022	2021	2022	2021
<b>Net earnings</b>	<b>\$ 208,331</b>	<b>\$ 237,746</b>	<b>\$ 428,496</b>	<b>\$ 440,116</b>
<b>Other comprehensive income (loss), net of tax</b>				
<b>Items that will not be reclassified to Net earnings</b>				
Fair value through other comprehensive income investments				
Other comprehensive income (loss) (Note 4), net of tax of \$60,546, \$(325), \$91,564 and \$(125,359)	(383,919)	2,080	(582,664)	803,225
<b>Employee benefits</b>				
Net actuarial gains (losses), net of tax of \$(5,737), \$(497), \$(31,508) and \$(31,237)	15,607	1,349	85,295	84,464
<b>Investment in associates – employee benefits and other</b>				
Other comprehensive income (loss), net of tax of nil	11,123	17,437	11,005	22,030
<b>Items that may be reclassified subsequently to Net earnings</b>				
<b>Investment in associates and other</b>				
Other comprehensive income (loss), net of tax of \$4,657, \$(1,373), \$5,994 and \$(1,142)	(48,050)	(10,601)	(56,607)	(28,206)
	<b>(405,239)</b>	<b>10,265</b>	<b>(542,971)</b>	<b>881,513</b>
<b>Total comprehensive income (loss)</b>	<b>\$ (196,908)</b>	<b>\$ 248,011</b>	<b>\$ (114,475)</b>	<b>\$ 1,321,629</b>

(See accompanying notes to interim condensed consolidated financial statements)

# Consolidated Balance Sheets

(unaudited)  
(in thousands of Canadian dollars)

June 30  
2022

December 31  
2021

## Assets

Cash and cash equivalents	\$ 969,107	\$ 1,292,446
Other investments (Note 4)	746,319	1,398,023
Client funds on deposit	2,786,470	2,238,624
Accounts and other receivables	375,966	387,157
Income taxes recoverable	25,357	17,344
Loans (Note 5)	5,104,277	5,353,842
Derivative financial instruments	52,594	41,172
Other assets	136,902	54,298
Investment in associates (Note 7)	2,035,555	2,048,255
Capital assets	325,969	315,964
Capitalized sales commissions	364,906	325,424
Deferred income taxes	1,866	29,269
Intangible assets	1,356,405	1,356,704
Goodwill	2,802,173	2,802,066
	<b>\$ 17,083,866</b>	<b>\$ 17,660,588</b>

## Liabilities

Accounts payable and accrued liabilities	\$ 500,912	\$ 553,429
Income taxes payable	4,879	104,113
Derivative financial instruments	53,444	17,773
Deposits and certificates	2,769,975	2,220,274
Other liabilities	331,623	382,466
Obligations to securitization entities (Note 6)	4,660,686	5,057,917
Lease obligations	193,691	197,969
Deferred income taxes	433,990	525,476
Long-term debt	2,100,000	2,100,000
	<b>11,049,200</b>	<b>11,159,417</b>

## Shareholders' Equity

Share capital		
Common shares	1,672,382	1,658,680
Contributed surplus	51,559	51,069
Retained earnings	3,941,223	3,856,996
Accumulated other comprehensive income (loss)	316,080	883,083
Non-controlling interest	53,422	51,343
	<b>6,034,666</b>	<b>6,501,171</b>
	<b>\$ 17,083,866</b>	<b>\$ 17,660,588</b>

These interim condensed consolidated financial statements were approved and authorized for issuance by the Board of Directors on August 4, 2022.

(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 9)</i>	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss) <i>(Note 12)</i>	Non- controlling interest	Total shareholders' equity
<b>2022</b>						
<b>Balance, beginning of period</b>	<b>\$ 1,658,680</b>	<b>\$ 51,069</b>	<b>\$ 3,856,996</b>	<b>\$ 883,083</b>	<b>\$ 51,343</b>	<b>\$ 6,501,171</b>
Net earnings	-	-	428,496	-	-	428,496
Other comprehensive income (loss), net of tax	-	-	-	(542,971)	-	(542,971)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>428,496</b>	<b>(542,971)</b>	<b>-</b>	<b>(114,475)</b>
Common shares						
Issued under stock option plan	34,012	-	-	-	-	34,012
Purchased for cancellation	(20,310)	-	-	-	-	(20,310)
Stock options						
Current period expense	-	2,346	-	-	-	2,346
Exercised	-	(1,856)	-	-	-	(1,856)
Common share dividends	-	-	(268,699)	-	-	(268,699)
Non-controlling interest	-	-	(2,079)	-	2,079	-
Common share cancellation excess and other	-	-	(97,523)	-	-	(97,523)
Transfer out of fair value through other comprehensive income <i>(Note 4)</i>	-	-	24,032	(24,032)	-	-
<b>Balance, end of period</b>	<b>\$ 1,672,382</b>	<b>\$ 51,559</b>	<b>\$ 3,941,223</b>	<b>\$ 316,080</b>	<b>\$ 53,422</b>	<b>\$ 6,034,666</b>
<b>2021</b>						
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
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>440,116</b>	<b>881,513</b>	<b>-</b>	<b>1,321,629</b>
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)	-	-
<b>Balance, end of period</b>	<b>\$ 1,621,172</b>	<b>\$ 52,230</b>	<b>\$ 3,585,231</b>	<b>\$ 811,227</b>	<b>\$ 49,954</b>	<b>\$ 6,119,814</b>

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

# Consolidated Statements of Cash Flows

	<i>Six months ended June 30</i>	
<i>(unaudited)</i> <i>(in thousands of Canadian dollars)</i>	2022	2021
<b>Operating activities</b>		
Earnings before income taxes	\$ 551,691	\$ 569,141
Income taxes paid	(225,308)	(104,576)
Adjustments to determine net cash from operating activities		
Capitalized sales commission amortization	36,649	25,710
Capitalized sales commissions paid	(75,745)	(77,876)
Amortization of capital, intangible and other assets	51,350	49,557
Proportionate share of associates' earnings, net of dividends received	(30,524)	(30,157)
Pension and other post-employment benefits	1,783	9,239
Changes in operating assets and liabilities and other	(18,255)	(107,461)
Cash from operating activities before restructuring provision payments	291,641	333,577
Restructuring provision cash payments	(6,960)	(44,116)
	<b>284,681</b>	<b>289,461</b>
<b>Financing activities</b>		
Net decrease in deposits and certificates	(8)	(3,716)
Increase in obligations to securitization entities	327,669	844,878
Repayments of obligations to securitization entities and other	(746,025)	(1,405,948)
Repayment of lease obligations	(12,749)	(12,151)
Issue of common shares	32,156	21,525
Common shares purchased for cancellation	(115,667)	-
Common share dividends paid	(269,833)	(268,139)
	<b>(784,457)</b>	<b>(823,551)</b>
<b>Investing activities</b>		
Purchase of other investments	(105,880)	(56,696)
Proceeds from the sale of other investments	77,650	302,231
Increase in loans	(768,585)	(970,888)
Repayment of loans and other	1,029,118	1,499,252
Net additions to capital assets	(25,350)	(8,316)
Net cash used in additions to intangible assets	(30,516)	(36,264)
	<b>176,437</b>	<b>729,319</b>
(Decrease) increase in cash and cash equivalents	(323,339)	195,229
Cash and cash equivalents, beginning of period	1,292,446	771,585
<b>Cash and cash equivalents, end of period</b>	<b>\$ 969,107</b>	<b>\$ 966,814</b>
Cash	\$ 347,018	\$ 186,821
Cash equivalents	622,089	779,993
	<b>\$ 969,107</b>	<b>\$ 966,814</b>
Supplemental disclosure of cash flow information related to operating activities		
Interest and dividends received	\$ 132,668	\$ 139,932
Interest paid	\$ 101,358	\$ 113,715

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

# Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2022 (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 Note 2 to the Consolidated Financial Statements for the year ended December 31, 2021. The Interim Financial Statements should be read in conjunction with the Consolidated Financial Statements in the 2021 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	
	2022	2021	2022	2021
Advisory fees	\$ 341,957	\$ 344,223	\$ 695,290	\$ 672,683
Product and program fees	231,246	235,136	472,556	459,944
	573,203	579,359	1,167,846	1,132,627
Redemption fees	1,042	2,692	2,501	6,452
Other financial planning revenues	36,821	45,587	81,924	92,010
Wealth management	611,066	627,638	1,252,271	1,231,089
Asset management	241,585	248,312	497,415	481,302
Dealer compensation expense	(77,421)	(82,701)	(163,612)	(163,410)
Net asset management	164,164	165,611	333,803	317,892
Net revenues from contracts with customers	\$ 775,230	\$ 793,249	\$ 1,586,074	\$ 1,548,981

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, 2022		December 31, 2021	
	Cost	Fair value	Cost	Fair value
Fair value through other comprehensive income (FVTOCI)				
Corporate investments	\$ 235,771	\$ 598,975	\$ 226,220	\$ 1,291,434
Fair value through profit or loss (FVTPL)				
Equity securities	1,232	1,401	1,173	1,552
Proprietary investment funds	149,335	145,943	101,327	105,037
	150,567	147,344	102,500	106,589
	\$ 386,338	\$ 746,319	\$ 328,720	\$ 1,398,023

Wealthsimple Financial Corp. (Wealthsimple) is a financial company that provides simple digital tools for growing and managing your money. The Company's investment in Wealthsimple is held through a limited partnership controlled by Power Corporation of Canada. The investment is classified at Fair Value Through Other Comprehensive Income. IGM Financial Inc. holds directly and indirectly a 24% interest in Wealthsimple (2021 – 23%) valued at \$492 million at June 30, 2022. The investment in Wealthsimple decreased by \$433 million and \$661 million for the three and six months ending June 30, 2022. The change in fair value is consistent with the continued decline in stock markets and public market peer valuations, and Wealthsimple focusing on its core business lines and revising revenue expectations.

In the second quarter of 2022, realized gains of \$27.8 million (\$24.0 million after-tax) related to other investments were transferred from Accumulated other comprehensive income to Other retained earnings. In the second quarter of 2021, IGM Financial Inc. disposed of a portion of its investment in Wealthsimple and a realized gain of \$239 million (\$207 million after-tax) was transferred from Accumulated other comprehensive income to Other retained earnings.

#### Note 5. Loans

	Contractual maturity			June 30 2022 Total	December 31 2021 Total
	1 year or less	1 – 5 years	Over 5 years		
<b>Amortized cost</b>					
Residential mortgages	\$ 1,106,924	\$ 3,979,962	\$ 18,039	\$ 5,104,925	\$ 5,297,054
Less: Allowance for expected credit losses				648	648
				5,104,277	5,296,406
<b>Fair value through profit or loss</b>				-	57,436
				\$ 5,104,277	\$ 5,353,842
The change in the allowance for expected credit losses is as follows:					
Balance, beginning of period				\$ 648	\$ 778
Write-offs, net of recoveries				(164)	(407)
Expected credit losses				164	277
Balance, end of period				\$ 648	\$ 648

Total credit impaired loans as at June 30, 2022 were \$4,988 (December 31, 2021 – \$2,822).

Total interest income on loans was \$65.2 million (2021 – \$82.2 million). Total interest expense on obligations to securitization entities, related to securitized loans, was \$47.6 million (2021 – \$58.6 million). Losses realized on the sale of residential mortgages totalled \$3.5 million (2021 – gains of \$1.6 million). Fair value adjustments related to mortgage banking operations totalled \$3.6 million (2021 – \$0.1 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 \$4.1 million at June 30, 2022 (December 31, 2021 – \$4.5 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.

	Securitized mortgages	Obligations to securitization entities	Net
<b>June 30, 2022</b>			
Carrying value			
NHA MBS and CMB Program	\$ 2,576,915	\$ 2,558,594	\$ 18,321
Bank sponsored ABCP	2,057,469	2,102,092	(44,623)
Total	\$ 4,634,384	\$ 4,660,686	\$ (26,302)
Fair value	\$ 4,526,043	\$ 4,605,151	\$ (79,108)
December 31, 2021			
Carrying value			
NHA MBS and CMB Program	\$ 2,653,682	\$ 2,651,293	\$ 2,389
Bank sponsored ABCP	2,371,320	2,406,624	(35,304)
Total	\$ 5,025,002	\$ 5,057,917	\$ (32,915)
Fair value	\$ 5,083,991	\$ 5,146,420	\$ (62,429)

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	ChinaAMC	Northleaf	Total
<b>June 30, 2022</b>				
Balance, beginning of period	\$ 1,020,700	\$ 768,724	\$ 258,831	\$ 2,048,255
Dividends	(36,590)	(31,319)	-	(67,909)
Proportionate share of:				
Earnings	59,692	28,348	10,393 <sup>(1)</sup>	98,433
Other comprehensive income (loss) and other adjustments	(18,953)	(24,271)	-	(43,224)
Balance, end of period	\$ 1,024,849	\$ 741,482	\$ 269,224	\$ 2,035,555
<b>June 30, 2021</b>				
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	59,410	27,598	2,734 <sup>(1)</sup>	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

(1) For the three and six months ended June 30, 2022, the Company's proportionate share of Northleaf's earnings net of Non-controlling interest was \$4,920 and \$8,314, respectively (2021 - \$1,427 and \$2,187).

The Company uses the equity method to account for its investments in Great-West Lifeco Inc. (Lifeco), China Asset Management Co., Ltd. (ChinaAMC) and Northleaf Capital Group Ltd. (Northleaf) as it exercises significant influence.

On January 5, 2022, the Company entered into an agreement to acquire an additional 13.9% interest in ChinaAMC for cash consideration of \$1.15 billion from Power Corporation of Canada (Power), which will increase the Company's equity interest in ChinaAMC from 13.9% to 27.8%. To partially fund the transaction, the Company will sell 15,200,662 common shares of Lifeco to Power for cash consideration of \$575 million, which will reduce the Company's equity interest in Lifeco from 4.0% to 2.4%. These transactions are expected to close in 2022, subject to customary closing conditions, including Chinese regulatory approvals. The sale of Lifeco shares is conditional on the Company's purchase of the ChinaAMC shares.

## Note 8. Employee benefits

The discount rate on the Company's defined benefit pension plan has increased to 5.35% from 3.30% at December 31, 2021. As a result of the increase the defined pension plan is in a surplus position.

The net accrued benefit asset (liability) recorded in the Consolidated Balance Sheets are:

	June 30, 2022			December 31, 2021		
	Defined benefit pension plan	Supplementary executive retirement plans	Other post-employment benefits	Defined benefit pension plan	Supplementary executive retirement plans	Other post-employment benefits
Accrued benefit assets	\$ 74,318	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued benefit liabilities	-	(59,268)	(25,762)	(21,624)	(71,557)	(32,551)
Balance, end of period	\$ 74,318	\$ (59,268)	\$ (25,762)	\$ (21,624)	\$ (71,557)	\$ (32,551)

The International Financial Reporting Interpretation Committee's *The Limit on a Defined Benefit Asset, Minimum Funding Requirements, and their Interaction* (IFRIC 14) requires a company to limit the defined benefit asset, when a defined benefit plan is in a net asset position, to the future economic benefit received through future contribution reductions (asset ceiling).

The changes in the unrecognized amount due to the asset ceiling is as follows:

	June 30, 2022	December 31, 2021
Balance, beginning of period	\$ -	\$ -
Change in unrecognized amount due to asset ceiling	17,492	-
Balance, end of period	\$ 17,492	\$ -

## 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, 2022		June 30, 2021	
	Shares	Stated value	Shares	Stated value
Common shares:				
Balance, beginning of period	239,679,043	\$ 1,658,680	238,308,284	\$ 1,598,381
Issued under Stock Option Plan	867,578	34,012	566,760	22,791
Purchased for cancellation	(2,890,000)	(20,310)	-	-
Balance, end of period	237,656,621	\$ 1,672,382	238,875,044	\$ 1,621,172

### Normal course issuer bid

The Company commenced a normal course issuer bid on March 1, 2022 which is effective until the earlier of February 28, 2023 and the date on which the Company has purchased the maximum number of common shares permitted under the normal course issuer bid. Pursuant to this bid, the Company may purchase up to 6.0 million or approximately 2.5% of its common shares outstanding as at February 15, 2022.

In the second quarter of 2022, there were 2,320,000 shares (2021 – nil) purchased at a cost of \$90.0 million. In the six months ended June 30, 2022, there were 2,890,000 shares (2021 – nil) purchased at a cost of \$115.7 million. The premium paid to purchase the shares in excess of the stated value was charged to Retained earnings.

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

## Note 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 2022 Report to Shareholders and in Note 19 to the Consolidated Financial Statements in the 2021 IGM Financial Inc. Annual Report and have not changed significantly since December 31, 2021.

## Note 11. Share-based payments

### Stock option plan

	June 30, 2022	December 31, 2021
Common share options		
– Outstanding	11,875,525	11,712,164
– Exercisable	6,513,982	6,179,244

In the second quarter of 2022, the Company granted 57,685 options to employees (2021 – 11,310). In the six months ended June 30, 2022, the Company granted 1,429,775 options to employees (2021 – 1,615,650). The weighted-average fair value of options granted during the six months ended June 30, 2022, has been estimated at \$4.96 per option (2021 – \$2.70) using the Black-Scholes option pricing model. The weighted-average closing share price at the grant dates was \$44.48.

Other assumptions used in these valuation models include:

	<i>Six months ended June 30</i>	
	2022	2021
Exercise price	\$45.14	\$35.08
Risk-free interest rate	1.97%	1.29%
Expected option life	7 years	7 years
Expected volatility	23.00%	23.00%
Expected dividend yield	5.06%	6.44%

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 12. Accumulated other comprehensive income (loss)

	Employee benefits	Other investments	Investment in associates and other	Total
<b>June 30, 2022</b>				
Balance, beginning of period	\$ (95,666)	\$ 919,152	\$ 59,597	\$ 883,083
Other comprehensive income (loss)	85,295	(582,664)	(45,602)	(542,971)
Transfer out of FVTOCI	-	(24,032)	-	(24,032)
Balance, end of period	\$ (10,371)	\$ 312,456	\$ 13,995	\$ 316,080
<b>June 30, 2021</b>				
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

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 2022 Report to Shareholders and in Note 22 to the Consolidated Financial Statements in the 2021 IGM Financial Inc. Annual Report and have not changed significantly since December 31, 2021.

## Note 14. Fair value of financial instruments

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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.

Valuation methods used for Other investments classified as Level 3 include comparison to market transactions with arm's length third parties, use of market multiples, and discounted cash flow analysis.

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. Level 3 Other investments of \$599 million are predominantly comprised of early-stage financial technology companies, including Wealthsimple with a fair value of \$492 million. Fair value is determined by using observable transactions in the investments' securities, where available, discounted cash flows, and other valuation metrics, including revenue multiples, used in the valuation of comparable public companies. A 5% increase (decrease) to discounted cash flows or revenue multiples would result in an increase (decrease) in fair value of the Company's investment in Wealthsimple of approximately \$25 million.

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	
<b>June 30, 2022</b>					
<b>Financial assets recorded at fair value</b>					
Other investments					
– FVTOCI	\$ 598,975	\$ –	\$ –	\$ 598,975	\$ 598,975
– FVTPL	147,344	147,344	–	–	147,344
Derivative financial instruments	52,594	–	26,235	26,359	52,594
<b>Financial assets recorded at amortized cost</b>					
Loans					
– Amortized cost	5,104,227	–	317,779	4,526,043	4,843,822
<b>Financial liabilities recorded at fair value</b>					
Derivative financial instruments	53,444	–	47,332	6,112	53,444
<b>Financial liabilities recorded at amortized cost</b>					
Deposits and certificates	2,769,975	–	2,770,023	–	2,770,023
Obligations to securitization entities	4,660,686	–	–	4,605,151	4,605,151
Long-term debt	2,100,000	–	2,044,294	–	2,044,294
<b>December 31, 2021</b>					
<b>Financial assets recorded at fair value</b>					
Other investments					
– FVTOCI	\$ 1,291,434	\$ –	\$ –	\$ 1,291,434	\$ 1,291,434
– FVTPL	106,589	104,658	1,931	–	106,589
Loans					
– FVTPL	57,436	–	57,436	–	57,436
Derivative financial instruments	41,172	–	34,074	7,098	41,172
<b>Financial assets recorded at amortized cost</b>					
Loans					
– Amortized cost	5,296,406	–	270,156	5,083,991	5,354,147
<b>Financial liabilities recorded at fair value</b>					
Derivative financial instruments	17,773	–	11,635	6,138	17,773
<b>Financial liabilities recorded at amortized cost</b>					
Deposits and certificates	2,220,274	–	2,220,530	–	2,220,530
Obligations to securitization entities	5,057,917	–	–	5,146,420	5,146,420
Long-term debt	2,100,000	–	2,544,380	–	2,544,380

There were no significant transfers between Level 1 and Level 2 in 2022 and 2021.

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 <sup>(1)</sup>	Gains (losses) included in Other comprehensive income	Purchases and issuances	Settlements	Transfers in (out)	Balance June 30
<b>June 30, 2022</b>							
Other investments							
– FVTOCI	\$ 1,291,434	\$ –	\$ (674,228)	\$ 29,206	\$ 47,437	\$ –	\$ 598,975
Derivative financial instruments, net	960	16,351	–	342	(2,594)	–	20,247
<b>June 30, 2021</b>							
Other investments							
– FVTOCI	\$ 593,273	\$ –	\$ 928,584	\$ 8,721	\$ –	\$ (275,428) <sup>(2)</sup>	\$ 1,255,150
– FVTPL	279	50	–	–	–	–	329
Derivative financial instruments, net	(21,103)	7,425	–	1,358	(4,208)	–	(8,112)

(1) Included in Wealth management revenue or Net investment income and other 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 15. Earnings per common share

	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
<b>Earnings</b>				
Net earnings	\$ 208,331	\$ 237,746	\$ 428,496	\$ 440,116
Non-controlling interest	(1,230)	(357)	(2,079)	(547)
Net earnings available to common shareholders	\$ 207,101	\$ 237,389	\$ 426,417	\$ 439,569
<b>Number of common shares (in thousands)</b>				
Weighted average number of common shares outstanding	238,822	238,625	239,290	238,475
Add: Potential exercise of outstanding stock options <sup>(1)</sup>	420	1,196	925	573
Average number of common shares outstanding – diluted basis	239,242	239,821	240,215	239,048
<b>Earnings per common share (in dollars)</b>				
– Basic	\$ 0.87	\$ 0.99	\$ 1.78	\$ 1.84
– Diluted	\$ 0.87	\$ 0.99	\$ 1.78	\$ 1.84

(1) Excludes 1,023 thousand shares for the three months ended June 30, 2022 (2021 – 286 thousand) related to outstanding stock options that were anti-dilutive.  
Excludes 558 thousand shares for the six months ended June 30, 2022 (2021 – 655 thousand) related to outstanding stock options that were anti-dilutive.

## Note 16. Segmented information

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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., Wealhsimple Financial Corp., and Portage Ventures LPs. Unallocated capital is also included within this segment.

2022

<b>Three months ended June 30</b>	Wealth Management	Asset Management	Strategic Investments and Other	Intersegment	Total
Revenues					
Wealth management	\$ 615,737	\$ -	\$ -	\$ (4,671)	\$ 611,066
Asset management	-	269,699	-	(28,114)	241,585
Dealer compensation	-	(82,088)	-	4,667	(77,421)
Net asset management	-	187,611	-	(23,447)	164,164
Net investment income and other	(1,276)	(986)	1,794	(72)	(540)
Proportionate share of associates' earnings	-	-	50,033	-	50,033
	614,461	186,625	51,827	(28,190)	824,723
Expenses					
Advisory and business development	282,268	21,563	-	(3)	303,828
Operations and support	116,021	88,450	2,027	(72)	206,426
Sub-advisory	45,246	1,180	-	(28,115)	18,311
	443,535	111,193	2,027	(28,190)	528,565
	170,926	75,432	49,800	-	296,158
Interest expense <sup>(1)</sup>	22,504	5,882	-	-	28,386
Earnings before income taxes	148,422	69,550	49,800	-	267,772
Income taxes	39,662	18,214	1,393	172	59,441
	108,760	51,336	48,407	(172)	208,331
Non-controlling interest	-	-	(1,230)	-	(1,230)
Net earnings available to common shareholders	\$ 108,760	\$ 51,336	\$ 47,177	\$ (172)	\$ 207,101

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

2021

<b>Three months ended June 30</b>	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 <sup>(1)</sup>	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.



2022

<i>Six months ended June 30</i>	Wealth Management	Asset Management	Strategic Investments and Other	Intersegment	Total
Revenues					
Wealth management	\$ 1,261,868	\$ -	\$ -	\$ (9,597)	\$ 1,252,271
Asset management	-	554,532	-	(57,117)	497,415
Dealer compensation	-	(173,204)	-	9,592	(163,612)
Net asset management	-	381,328	-	(47,525)	333,803
Net investment income and other	(1,293)	(3,602)	2,482	(145)	(2,558)
Proportionate share of associates' earnings	-	-	98,433	-	98,433
	1,260,575	377,726	100,915	(57,267)	1,681,949
Expenses					
Advisory and business development	571,235	41,706	-	(5)	612,936
Operations and support	237,052	181,516	3,431	(145)	421,854
Sub-advisory	93,382	2,684	-	(57,117)	38,949
	901,669	225,906	3,431	(57,267)	1,073,739
	358,906	151,820	97,484	-	608,210
Interest expense <sup>(1)</sup>	44,795	11,724	-	-	56,519
Earnings before income taxes	314,111	140,096	97,484	-	551,691
Income taxes	83,957	36,619	2,447	172	123,195
	230,154	103,477	95,037	(172)	428,496
Non-controlling interest	-	-	(2,079)	-	(2,079)
Net earnings available to common shareholders	\$ 230,154	\$ 103,477	\$ 92,958	\$ (172)	\$ 426,417
Identifiable assets	\$ 9,642,072	\$ 1,276,511	\$ 3,363,110	\$ -	\$ 14,281,693
Goodwill	1,491,687	1,310,486	-	-	2,802,173
Total assets	\$ 11,133,759	\$ 2,586,997	\$ 3,363,110	\$ -	\$ 17,083,866

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

2021

<i>Six months ended June 30</i>	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 <sup>(1)</sup>	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	\$ 8,880,546	\$ 1,429,072	\$ 3,784,969	\$ -	\$ 14,094,587
Goodwill	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.