

# 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	
	2019	2018	2019	2018
<b>Revenues</b>				
Management fees	\$ 567,422	\$ 562,781	\$ 1,112,646	\$ 1,119,382
Administration fees	104,128	107,123	205,827	214,657
Distribution fees	94,235	89,897	183,509	183,217
Net investment income and other	17,859	18,577	38,092	32,786
Proportionate share of associates' earnings <i>(Note 6)</i>	20,264	37,583	52,914	75,567
	<b>803,908</b>	<b>815,961</b>	<b>1,592,988</b>	<b>1,625,609</b>
<b>Expenses</b>				
Commission	275,853	270,164	550,519	556,262
Non-commission	259,651	252,627	534,089	505,772
Interest	27,648	28,770	52,864	59,034
	<b>563,152</b>	<b>551,561</b>	<b>1,137,472</b>	<b>1,121,068</b>
Earnings before income taxes	240,756	264,400	455,516	504,541
Income taxes	55,632	58,483	100,676	110,873
<b>Net earnings</b>	<b>185,124</b>	<b>205,917</b>	<b>354,840</b>	<b>393,668</b>
Perpetual preferred share dividends	–	2,212	2,213	4,425
<b>Net earnings available to common shareholders</b>	<b>\$ 185,124</b>	<b>\$ 203,705</b>	<b>\$ 352,627</b>	<b>\$ 389,243</b>
Earnings per share <i>(in dollars)</i> <i>(Note 14)</i>				
– Basic	\$ 0.77	\$ 0.85	\$ 1.47	\$ 1.62
– Diluted	\$ 0.77	\$ 0.85	\$ 1.47	\$ 1.61

*(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	
	2019	2018	2019	2018
<b>Net earnings</b>	<b>\$ 185,124</b>	<b>\$ 205,917</b>	<b>\$ 354,840</b>	<b>\$ 393,668</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), net of tax of \$(3,186), \$466, \$(2,073) and \$895	20,419	(3,006)	13,281	(5,752)
Employee benefits				
Net actuarial gains (losses), net of tax of \$6,067, \$(3,953), \$13,455 and \$(2,684)	(16,407)	10,690	(36,387)	7,263
Investment in associates – employee benefits and other				
Other comprehensive income (loss), net of tax of nil	(3,204)	1,444	(9,895)	(1,431)
<b>Items that may be reclassified subsequently to Net earnings</b>				
Investment in associates and other				
Other comprehensive income (loss), net of tax of \$3,765, \$2,580, \$3,119 and \$(1,842)	(30,092)	9,025	(734)	49,962
	<b>(29,284)</b>	<b>18,153</b>	<b>(33,735)</b>	<b>50,042</b>
<b>Total comprehensive income</b>	<b>\$ 155,840</b>	<b>\$ 224,070</b>	<b>\$ 321,105</b>	<b>\$ 443,710</b>

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

## CONSOLIDATED BALANCE SHEETS

<i>(unaudited)</i> <i>(in thousands of Canadian dollars)</i>	JUNE 30 2019	DECEMBER 31 2018
<b>Assets</b>		
Cash and cash equivalents	\$ 601,310	\$ 650,228
Other investments <i>(Note 3)</i>	369,542	459,911
Client funds on deposit	514,234	546,787
Accounts and other receivables	397,093	319,609
Income taxes recoverable	28,251	9,316
Loans <i>(Note 4)</i>	7,650,179	7,738,031
Derivative financial instruments	19,006	16,364
Other assets	50,254	46,531
Investment in associates <i>(Note 6)</i>	1,777,276	1,651,304
Capital assets <i>(Note 2)</i>	226,684	138,647
Capitalized sales commissions	122,380	105,044
Deferred income taxes	71,078	75,607
Intangible assets	1,218,519	1,191,068
Goodwill	2,660,267	2,660,267
	<b>\$ 15,706,073</b>	<b>\$ 15,608,714</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 428,451	\$ 397,379
Income taxes payable	3,867	51,894
Derivative financial instruments	25,595	28,990
Deposits and certificates	548,273	568,799
Other liabilities	473,481	444,173
Obligations to securitization entities	7,337,066	7,370,193
Lease obligations <i>(Note 2)</i>	99,514	–
Deferred income taxes	293,092	295,719
Long-term debt <i>(Note 7)</i>	2,100,000	1,850,000
	<b>11,309,339</b>	<b>11,007,147</b>
<b>Shareholders' Equity</b>		
Share capital		
Perpetual preferred shares	–	150,000
Common shares	1,596,818	1,611,263
Contributed surplus	47,099	45,536
Retained earnings	2,853,818	2,840,566
Accumulated other comprehensive income (loss)	(101,001)	(45,798)
	<b>4,396,734</b>	<b>4,601,567</b>
	<b>\$ 15,706,073</b>	<b>\$ 15,608,714</b>

These interim condensed consolidated financial statements were approved and authorized for issuance by the Board of Directors on July 31, 2019.

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

## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

SIX MONTHS ENDED JUNE 30

(unaudited) (in thousands of Canadian dollars)	SHARE CAPITAL			RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) (Note 11)	TOTAL SHAREHOLDERS' EQUITY
	PERPETUAL PREFERRED SHARES (Note 8)	COMMON SHARES (Note 8)	CONTRIBUTED SURPLUS			
<b>2019</b>						
<b>Balance, beginning of period</b>						
As previously reported	\$ 150,000	\$ 1,611,263	\$ 45,536	\$ 2,840,566	\$ (45,798)	\$ 4,601,567
Change in accounting policy (Note 2) IFRS 16	-	-	-	(5,568)	-	(5,568)
As restated	150,000	1,611,263	45,536	2,834,998	(45,798)	4,595,999
Net earnings	-	-	-	354,840	-	354,840
Other comprehensive income (loss), net of tax	-	-	-	-	(33,735)	(33,735)
Total comprehensive income	-	-	-	354,840	(33,735)	321,105
Redemption of preferred shares	(150,000)	-	-	-	-	(150,000)
Common shares						
Issued under stock option plan	-	4,069	-	-	-	4,069
Purchased for cancellation	-	(18,514)	-	-	-	(18,514)
Stock options						
Current period expense	-	-	1,782	-	-	1,782
Exercised	-	-	(219)	-	-	(219)
Perpetual preferred share dividends	-	-	-	(2,213)	-	(2,213)
Common share dividends	-	-	-	(269,522)	-	(269,522)
Transfer out of fair value through other comprehensive income	-	-	-	21,468	(21,468)	-
Common share cancellation excess & other	-	-	-	(85,753)	-	(85,753)
<b>Balance, end of period</b>	<b>\$ -</b>	<b>\$ 1,596,818</b>	<b>\$ 47,099</b>	<b>\$ 2,853,818</b>	<b>\$ (101,001)</b>	<b>\$ 4,396,734</b>
<b>2018</b>						
Balance, beginning of period	\$ 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

(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

	2019	2018
<b>Operating activities</b>		
Earnings before income taxes	\$ 455,516	\$ 504,541
Income taxes paid	(142,689)	(83,642)
Adjustments to determine net cash from operating activities		
Capitalized sales commission amortization	10,041	6,277
Capitalized sales commissions paid	(27,378)	(28,961)
Amortization of capital and intangible assets	39,632	27,669
Proportionate share of associates' earnings, net of dividends received	(10,781)	(33,711)
Pension and other post-employment benefits	(389)	(19,543)
Changes in operating assets and liabilities and other	(15,747)	926
Cash from operating activities before restructuring provision payments	308,205	373,556
Restructuring provision cash payments	(22,110)	(36,352)
	<b>286,095</b>	<b>337,204</b>
<b>Financing activities</b>		
Net increase (decrease) in deposits and certificates	1,187	(658)
Increase in obligations to securitization entities	739,827	711,093
Repayments of obligations to securitization entities and other	(807,558)	(864,280)
Repayments of lease obligations	(11,293)	-
Issue of debentures	250,000	-
Repayment of debentures	-	(150,000)
Redemption of preferred shares	(150,000)	-
Issue of common shares	3,850	6,157
Common shares purchased for cancellation	(99,963)	-
Perpetual preferred share dividends paid	(4,425)	(4,425)
Common share dividends paid	(270,996)	(270,826)
	<b>(349,371)</b>	<b>(572,939)</b>
<b>Investing activities</b>		
Purchase of other investments	(97,461)	(82,321)
Proceeds from the sale of other investments	56,258	43,335
Increase in loans	(750,826)	(855,814)
Repayment of loans and other	839,671	921,422
Net additions to capital assets	(10,032)	(7,026)
Net cash used in additions to intangible assets and acquisitions	(36,849)	(29,009)
Investment in Personal Capital Corporation	(66,811)	-
Proceeds from substantial issuer bid (Note 6)	80,408	-
	<b>14,358</b>	<b>(9,413)</b>
Decrease in cash and cash equivalents	(48,918)	(245,148)
Cash and cash equivalents, beginning of period	650,228	966,843
<b>Cash and cash equivalents, end of period</b>	<b>\$ 601,310</b>	<b>\$ 721,695</b>
Cash	\$ 45,890	\$ 51,585
Cash equivalents	555,420	670,110
	<b>\$ 601,310</b>	<b>\$ 721,695</b>
<b>Supplemental disclosure of cash flow information related to operating activities</b>		
Interest and dividends received	\$ 155,539	\$ 152,747
Interest paid	\$ 129,325	\$ 140,504

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019 (unaudited) (In thousands of Canadian dollars, except shares and per share amounts)

### NOTE 1 CORPORATE INFORMATION

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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 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.

### NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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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, 2018. The Interim Financial Statements should be read in conjunction with the Consolidated Financial Statements in the 2018 IGM Financial Inc. Annual Report.

#### CHANGES IN ACCOUNTING POLICIES

##### **IFRS 16 LEASES (IFRS 16)**

As of January 1, 2019, the Company adopted IFRS 16 using the modified retrospective method with no restatement of comparative financial information. Under this approach, the Company recognized a lease liability of \$105.5 million equal to the present value of the remaining lease payments discounted using the Company's incremental borrowing rate at January 1, 2019. The weighted average discount rate applied was 4.4%. A right-of-use asset of \$96.1 million representing the Company's property leases was also recognized at its carrying amount as if IFRS 16 had been applied since each lease commencement date, net of the accumulated amortization that would have been recognized up to January 1, 2019. The difference between the right-of-use asset and the lease liability of \$9.4 million was recognized as an adjustment to retained earnings as at January 1, 2019. The following practical expedients were applied on transition:

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Accounted for leases for which the remaining lease term ends within 12 months of the date of initial application as a short-term lease.
- Relied on its assessment of whether leases are onerous applying IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, immediately before the date of initial application as an alternative to performing an impairment review.

Amortization expense increased due to the amortization of the right-of-use asset and interest expense increased due to the imputed interest on the lease liability; however total expenses are not materially different due to the offsetting decrease to operating lease expense.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

CHANGES IN ACCOUNTING POLICIES (continued)

IFRS 16 LEASES (IFRS 16) (continued)

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

	DECEMBER 31, 2018	ADJUSTMENT DUE TO ADOPTION OF IFRS 16	JANUARY 1, 2019
<b>Assets</b>			
Other assets <sup>(1)</sup>	\$ 46,531	\$ (61)	\$ 46,470
Capital assets	138,647	96,065	234,712
		<u>\$ 96,004</u>	
<b>Liabilities &amp; Shareholders' Equity</b>			
Accounts payable and accrued liabilities <sup>(1)</sup>	\$ 397,379	\$ (1,958)	\$ 395,421
Lease obligations	–	105,539	105,539
Deferred income taxes	295,719	(2,009)	293,710
Retained earnings	2,840,566	(5,568)	2,834,998
		<u>\$ 96,004</u>	

(1) Write-off of free rent inducement on capitalized leases

LEASES

For contracts that contain a lease, the Company recognizes a right-of-use asset and a lease liability. The right-of-use asset is depreciated using the straight-line method from the commencement date to the end of the lease term and is recorded in Non-commission expense. Imputed interest on the lease liability is recorded in Interest expense.

Lease payments included in the measurement of the lease liability comprises fixed payments less any lease incentives receivable, variable payments that depend on an index or a rate, and payments or penalties for terminating the lease, if any. The lease payments are discounted using the Company's incremental borrowing rate, which is applied to portfolios of leases with reasonably similar characteristics.

The Company does not recognize a right-of-use asset or lease liability for leases that, at commencement date, have a lease term of 12 months or less, and leases for which the underlying asset is of low value. The Company recognizes the payments associated with these leases as an expense on a straight-line basis over the term of the lease.

### NOTE 3 OTHER INVESTMENTS

	JUNE 30, 2019		DECEMBER 31, 2018	
	COST	FAIR VALUE	COST	FAIR VALUE
Fair value through other comprehensive income (FVTOCI)				
Corporate investments	\$ 225,440	\$ 284,753	\$ 303,619	\$ 372,396
Fair value through profit or loss (FVTPL)				
Equity securities	1,543	1,741	16,976	12,915
Proprietary investment funds	82,127	83,048	78,504	74,600
	83,670	84,789	95,480	87,515
	\$ 309,110	\$ 369,542	\$ 399,099	\$ 459,911

In January 2019, the Company invested an additional amount of \$66.8 million (USD \$50.0 million) in Personal Capital Corporation which increased its voting interest to 22.7% and resulted in reclassification of the investment in Personal Capital Corporation from FVTOCI to the equity method (Note 6).

The Company invested an additional \$18.2 million in Wealthsimple Financial Corporation in the second quarter of 2019 and \$36.1 million for the six months ended June 30, 2019.

The Company invested an additional \$11.0 million in Portag3 Ventures II LP in the second quarter of 2019.

### NOTE 4 LOANS

	CONTRACTUAL MATURITY			JUNE 30 2019 TOTAL	DECEMBER 31 2018 TOTAL
	1 YEAR OR LESS	1 - 5 YEARS	OVER 5 YEARS		
<b>Amortized cost</b>					
Residential mortgages	\$ 1,415,587	\$ 6,226,556	\$ 6,897	\$ 7,649,040	\$ 7,734,529
Less: Allowance for expected credit losses				708	801
				7,648,332	7,733,728
<b>Fair value through profit or loss</b>				1,847	4,303
				\$ 7,650,179	\$ 7,738,031

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

Balance, beginning of period	\$ 801	\$ 806
Write-offs, net of recoveries	(513)	(326)
Provision for credit losses	420	321
Balance, end of period	\$ 708	\$ 801

Total credit impaired loans as at June 30, 2019 were \$4,032 (December 31, 2018 – \$3,271).

Total interest income on loans was \$109.6 million (2018 – \$105.3 million). Total interest expense on obligations to securitization entities, related to securitized loans, was \$87.7 million (2018 – \$81.2 million). Gains realized on the sale of residential mortgages totalled \$1.7 million (2018 – \$1.5 million). Fair value adjustments related to mortgage banking operations totalled negative \$5.0 million (2018 – negative \$5.8 million). These amounts were included in Net investment income and other. Net investment income and other also includes other mortgage banking related items including 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 negative fair value of \$9.1 million at June 30, 2019 (December 31, 2018 – positive \$4.9 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.

	SECURITIZED MORTGAGES	OBLIGATIONS TO SECURITIZATION ENTITIES	NET
<b>JUNE 30, 2019</b>			
Carrying value			
NHA MBS and CMB Program	\$ 4,139,420	\$ 4,174,246	\$ (34,826)
Bank sponsored ABCP	3,111,454	3,162,820	(51,366)
Total	\$ 7,250,874	\$ 7,337,066	\$ (86,192)
Fair value	\$ 7,350,662	\$ 7,460,312	\$ (109,650)
<b>DECEMBER 31, 2018</b>			
Carrying value			
NHA MBS and CMB Program	\$ 4,246,668	\$ 4,250,641	\$ (3,973)
Bank sponsored ABCP	3,102,498	3,119,552	(17,054)
Total	\$ 7,349,166	\$ 7,370,193	\$ (21,027)
Fair value	\$ 7,405,170	\$ 7,436,873	\$ (31,703)

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

	LIFECO	CHINA AMC	PERSONAL CAPITAL	TOTAL
<b>JUNE 30, 2019</b>				
Balance, beginning of period	\$ 967,829	\$ 683,475	\$ -	\$ 1,651,304
Transfer from corporate investments (FVTOCI)	-	-	216,952	216,952
Proceeds from substantial issuer bid	(80,408)	-	-	(80,408)
Dividends received	(31,832)	(10,301)	-	(42,133)
Proportionate share of:				
Earnings (losses)	53,666	15,265	(8,017)	60,914
Associate's one-time loss	(8,000)	-	-	(8,000)
Other comprehensive income (loss) and other adjustments	8,808	(26,141)	(4,020)	(21,353)
Balance, end of period	\$ 910,063	\$ 662,298	\$ 204,915	\$ 1,777,276
<b>JUNE 30, 2018</b>				
Balance, beginning of period	\$ 901,405	\$ 647,880	\$ -	\$ 1,549,285
Dividends received	(30,916)	(12,156)	-	(43,072)
Proportionate share of:				
Earnings	60,030	15,537	-	75,567
Other comprehensive income (loss) and other adjustments	28,950	18,677	-	47,627
Balance, end of period	\$ 959,469	\$ 669,938	\$ -	\$ 1,629,407

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

### GREAT-WEST LIFECO INC. (LIFECO)

At June 30, 2019, the Company held 37,337,133 (December 31, 2018 – 39,737,388) shares of Lifeco, which represented an equity interest of 4.0% (December 31, 2018 – 4.0%).

In April 2019, the Company participated on a proportionate basis in the Lifeco substantial issuer bid by selling 2,400,255 of its shares in Lifeco for proceeds of \$80.4 million.

In June 2019, Lifeco recorded a one-time loss in relation to the sale of substantially all of its United States individual life insurance and annuity business. The Company's after-tax proportionate share of this loss was \$8.0 million.

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

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

As at June 30, 2019, the Company held a 13.9% equity interest in China AMC (2018 – 13.9%).

### PERSONAL CAPITAL CORPORATION (PERSONAL CAPITAL)

In January 2019, the Company invested an additional amount of \$66.8 million (USD \$50.0 million) in Personal Capital which increased its voting interest to 22.7% (June 30, 2018 – 15.5%) and, combined with its board representation, resulted in the Company exercising significant influence.

As at June 30, 2019, the Company held a 24.9% equity interest in Personal Capital. IGM Financial's equity earnings from Personal Capital includes its proportionate share of Personal Capital's net income adjusted by IGM Financial's amortization of intangible assets that it recognized as part of its investment in the company.

## NOTE 7 LONG-TERM DEBT

On March 20, 2019, the Company issued \$250.0 million 4.206% debentures maturing March 21, 2050. The net proceeds were used by the Company to fund the redemption of \$150.0 million of its issued and outstanding 5.90% Non-Cumulative First Preferred Shares, Series B and for general corporate purposes. The Company redeemed the Series B Preferred Shares on April 30, 2019.

## 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, 2019		JUNE 30, 2018	
	SHARES	STATED VALUE	SHARES	STATED VALUE
Perpetual preferred shares – classified as equity:				
First preferred shares, Series B	-	\$ -	6,000,000	\$ 150,000
Common shares:				
Balance, beginning of period	240,885,317	\$ 1,611,263	240,666,131	\$ 1,602,726
Issued under Stock Option Plan	143,010	4,069	159,715	6,850
Purchased for cancellation	(2,762,788)	(18,514)	-	-
Balance, end of period	238,265,539	\$ 1,596,818	240,825,846	\$ 1,609,576

### PERPETUAL PREFERRED SHARES

The Company redeemed the \$150.0 million First preferred shares, Series B on April 30, 2019.

### NORMAL COURSE ISSUER BID

The Company commenced a normal course issuer bid on March 26, 2019 which is effective until the earlier of March 25, 2020 and the date on which the Corporation 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 4.0 million or 1.7% of its common shares outstanding as at March 14, 2019. The Company's previous normal course issuer bid expired on March 19, 2018.

In the second quarter of 2019, there were 2,496,695 shares (2018 – nil) purchased at a cost of \$90.8 million. In the six months ended June 30, 2019, there were 2,762,788 shares (2018 – nil) purchased at a cost of \$100.0 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 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 2019 Report to Shareholders and in Note 17 to the Consolidated Financial Statements in the 2018 IGM Financial Inc. Annual Report and have not changed significantly since December 31, 2018.

## NOTE 10 SHARE-BASED PAYMENTS

### STOCK OPTION PLAN

	JUNE 30 2019	DECEMBER 31 2018
Common share options		
– Outstanding	<b>10,764,552</b>	9,701,894
– Exercisable	<b>5,514,075</b>	4,742,050

In the second quarter of 2019, the Company granted 26,230 options to employees (2018 – 17,875). In the six months ended June 30, 2019, the Company granted 1,511,540 options to employees (2018 – 1,336,265). The weighted- average fair value of options granted during the six months ended June 30, 2019 has been estimated at \$1.82 per option (2018 – \$2.56) using the Black-Scholes option pricing model. The weighted-average closing share price at the grant dates was \$34.35. The assumptions used in these valuation models include:

	SIX MONTHS ENDED JUNE 30	
	2019	2018
Exercise price	<b>\$ 34.34</b>	\$ 39.29
Risk-free interest rate	<b>2.07%</b>	2.35%
Expected option life	<b>7 years</b>	6 years
Expected volatility	<b>18.00%</b>	17.00%
Expected dividend yield	<b>6.55%</b>	5.73%

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
<b>JUNE 30, 2019</b>				
Balance, beginning of period	\$ (149,052)	\$ 57,234	\$ 46,020	\$ (45,798)
Other comprehensive income (loss)	(36,387)	13,281	(10,629)	(33,735)
Transfer out of FVTOCI	-	(21,468)	-	(21,468)
Balance, end of period	\$ (185,439)	\$ 49,047	\$ 35,391	\$ (101,001)
<b>JUNE 30, 2018</b>				
Balance, beginning of period	\$ (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)

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 2019 Report to Shareholders and in Note 20 to the Consolidated Financial Statements in the 2018 IGM Financial Inc. Annual Report and have not changed significantly since December 31, 2018.

## 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

## NOTE 13 FAIR VALUE OF FINANCIAL INSTRUMENTS *(continued)*

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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 13 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	CARRYING VALUE	FAIR VALUE			TOTAL
		LEVEL 1	LEVEL 2	LEVEL 3	
<b>JUNE 30, 2019</b>					
<b>Financial assets recorded at fair value</b>					
Other investments					
– FVTOCI	\$ 284,753	\$ –	\$ –	\$ 284,753	\$ 284,753
– FVTPL	84,789	84,170	–	619	84,789
Loans					
– FVTPL	1,847	–	1,847	–	1,847
Derivative financial instruments	19,006	–	15,223	3,783	19,006
<b>Financial assets recorded at amortized cost</b>					
Loans					
– Amortized cost	7,648,332	–	398,520	7,350,662	7,749,182
<b>Financial liabilities recorded at fair value</b>					
Derivative financial instruments	25,595	–	12,719	12,876	25,595
Other financial liabilities	–	–	–	–	–
<b>Financial liabilities recorded at amortized cost</b>					
Deposits and certificates	548,273	–	548,678	–	548,678
Obligations to securitization entities	7,337,066	–	–	7,460,312	7,460,312
Long-term debt	2,100,000	–	2,468,145	–	2,468,145
<b>DECEMBER 31, 2018</b>					
<b>Financial assets recorded at fair value</b>					
Other investments					
– FVTOCI	\$ 372,396	\$ –	\$ –	\$ 372,396	\$ 372,396
– FVTPL	87,515	86,963	–	552	87,515
Loans					
– FVTPL	4,303	–	4,303	–	4,303
Derivative financial instruments	16,364	–	7,179	9,185	16,364
<b>Financial assets recorded at amortized cost</b>					
Loans					
– Amortized cost	7,733,728	–	380,372	7,405,170	7,785,542
<b>Financial liabilities recorded at fair value</b>					
Derivative financial instruments	28,990	–	24,704	4,286	28,990
Other financial liabilities	8,237	8,235	2	–	8,237
<b>Financial liabilities recorded at amortized cost</b>					
Deposits and certificates	568,799	–	569,048	–	569,048
Obligations to securitization entities	7,370,193	–	–	7,436,873	7,436,873
Long-term debt	1,850,000	–	2,050,299	–	2,050,299

There were no significant transfers between Level 1 and Level 2 in 2019 and 2018.

## 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 <sup>(1)</sup>	GAINS/(LOSSES) INCLUDED IN OTHER COMPREHENSIVE INCOME	PURCHASES AND ISSUANCES	SETTLEMENTS	TRANSFERS IN/OUT	BALANCE JUNE 30
<b>JUNE 30, 2019</b>							
Other investments							
– FVTOCI	\$ 372,396	\$ –	\$ 15,354	\$ 47,144	\$ –	\$ (150,141) <sup>(2)</sup>	\$ 284,753
– FVTPL	552	67	–	–	–	–	619
Derivative financial instruments, net	4,899	(13,138)	–	(1,144)	(290)	–	(9,093)
<b>JUNE 30, 2018</b>							
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

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

(2) Reclassification of investment in Personal Capital from Other investments (FVTOCI) to Investment in associates (equity method).

## NOTE 14 EARNINGS PER COMMON SHARE

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2019	2018	2019	2018
<b>Earnings</b>				
Net earnings	\$ 185,124	\$ 205,917	\$ 354,840	\$ 393,668
Perpetual preferred share dividends	–	2,212	2,213	4,425
Net earnings available to common shareholders	\$ 185,124	\$ 203,705	\$ 352,627	\$ 389,243
<b>Number of common shares <i>(in thousands)</i></b>				
Weighted average number of common shares outstanding	238,968	240,810	239,944	240,784
Add: Potential exercise of outstanding stock options <sup>(1)</sup>	92	183	–	252
Average number of common shares outstanding – diluted basis	239,060	240,993	239,944	241,036
<b>Earnings per common share <i>(in dollars)</i></b>				
Basic	\$ 0.77	\$ 0.85	\$ 1.47	\$ 1.62
Diluted	\$ 0.77	\$ 0.85	\$ 1.47	\$ 1.61

(1) Excludes 1,587 thousand shares for the three months ended June 30, 2019 (2018 – 1,283 thousand) related to outstanding stock options that were anti-dilutive. Excludes 2,052 thousand shares for the six months ended June 30, 2019 (2018 – 977 thousand) related to outstanding stock options that were anti-dilutive.



## NOTE 15 SEGMENTED INFORMATION

The Company's reportable segments are:

- IG Wealth Management
- Mackenzie Investments
- Corporate and Other

These segments reflect the Company's internal financial reporting and performance measurement. In the third quarter of 2018, the Company announced that it has rebranded Investors Group as IG Wealth Management.

IG Wealth Management 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, IG Wealth Management earns intermediary revenues primarily from mortgage banking and servicing activities and from the assets funded by deposit and certificate products.

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

2019

THREE MONTHS ENDED JUNE 30	IG WEALTH MANAGEMENT	MACKENZIE INVESTMENTS	CORPORATE AND OTHER	TOTAL
<b>Revenues</b>				
Management fees	\$ 371,929	\$ 176,240	\$ 19,253	\$ 567,422
Administration fees	75,129	24,506	4,493	104,128
Distribution fees	44,639	1,545	48,051	94,235
Net investment income and other	13,522	868	3,469	17,859
Proportionate share of associates' earnings	–	–	28,264	28,264
	505,219	203,159	103,530	811,908
<b>Expenses</b>				
Commission	157,468	73,550	44,835	275,853
Non-commission	152,900	84,876	21,875	259,651
	310,368	158,426	66,710	535,504
Earnings before undernoted	\$ 194,851	\$ 44,733	\$ 36,820	276,404
Interest expense <sup>(1)</sup>				(27,648)
Proportionate share of associate's one-time loss				(8,000)
Earnings before income taxes				240,756
Income taxes				55,632
Net earnings				185,124
Perpetual preferred share dividends				–
Net earnings available to common shareholders				\$ 185,124

(1) Interest expense includes interest on long-term debt and, beginning January 1, 2019, includes interest on leases as a result of the Company's adoption of IFRS 16, Leases.

NOTE 15 SEGMENTED INFORMATION (continued)

2018

THREE MONTHS ENDED JUNE 30	IG WEALTH MANAGEMENT	MACKENZIE INVESTMENTS	CORPORATE AND OTHER	TOTAL
<b>Revenues</b>				
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
<b>Expenses</b>				
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 15 SEGMENTED INFORMATION (continued)

2019

SIX MONTHS ENDED JUNE 30	IG WEALTH MANAGEMENT	MACKENZIE INVESTMENTS	CORPORATE AND OTHER	TOTAL
Revenues				
Management fees	\$ 730,082	\$ 344,518	\$ 38,046	\$ 1,112,646
Administration fees	149,078	47,778	8,971	205,827
Distribution fees	85,751	2,984	94,774	183,509
Net investment income and other	23,560	5,047	9,485	38,092
Proportionate share of associates' earnings	-	-	60,914	60,914
	988,471	400,327	212,190	1,600,988
Expenses				
Commission	314,452	145,998	90,069	550,519
Non-commission	315,826	173,666	44,597	534,089
	630,278	319,664	134,666	1,084,608
Earnings before undernoted	\$ 358,193	\$ 80,663	\$ 77,524	516,380
Interest expense <sup>(1)</sup>				(52,864)
Proportionate share of associate's one-time loss				(8,000)
Earnings before income taxes				455,516
Income taxes				100,676
Net earnings				354,840
Perpetual preferred share dividends				2,213
Net earnings available to common shareholders				\$ 352,627
Identifiable assets	\$ 8,990,871	\$ 1,167,961	\$ 2,886,974	\$13,045,806
Goodwill	1,347,781	1,168,580	143,906	2,660,267
Total assets	\$10,338,652	\$ 2,336,541	\$ 3,030,880	\$15,706,073

(1) Interest expense includes interest on long-term debt and, beginning January 1, 2019, includes interest on leases as a result of the Company's adoption of IFRS 16, Leases.

NOTE 15 SEGMENTED INFORMATION (continued)

2018

SIX MONTHS ENDED JUNE 30	IG WEALTH MANAGEMENT	MACKENZIE INVESTMENTS	CORPORATE AND OTHER	TOTAL
<b>Revenues</b>				
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
<b>Expenses</b>				
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