CONSOLIDATED STATEMENTS OF EARNINGS

(unaudited) *(in thousands of Canadian dollars, except per share amounts)*	THREE MONTHS ENDED JUNE 30 2020	THREE MONTHS ENDED JUNE 30 2019	SIX MONTHS ENDED JUNE 30 2020	SIX MONTHS ENDED JUNE 30 2019
Revenues				
Management and advisory fees	**$ 539,977**	$ 567,422	**$ 1,102,056**	$ 1,112,646
Administration fees	**96,405**	104,128	**198,288**	205,827
Distribution fees	**80,508**	94,235	**169,078**	183,509
Net investment income and other	**15,228**	17,859	**24,714**	38,092
Proportionate share of associates' earnings *(Note 7)*	**43,379**	20,264	**63,424**	52,914
	775,497	803,908	**1,557,560**	1,592,988
Expenses				
Commission	**256,764**	275,853	**526,748**	550,519
Non-commission	**259,860**	259,651	**535,722**	534,089
Interest	**27,470**	27,648	**54,777**	52,864
	544,094	563,152	**1,117,247**	1,137,472
Earnings before income taxes	**231,403**	240,756	**440,313**	455,516
Income taxes	**47,861**	55,632	**95,895**	100,676
Net earnings	**183,542**	185,124	**344,418**	354,840
Perpetual preferred share dividends	**–**	–	**–**	2,213
Net earnings available to common shareholders	**$ 183,542**	$ 185,124	**$ 344,418**	$ 352,627
Earnings per share *(in dollars) (Note 14)*				
– Basic	**$ 0.77**	$ 0.77	**$ 1.45**	$ 1.47
– Diluted	**$ 0.77**	$ 0.77	**$ 1.45**	$ 1.47

(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 2020	2019	SIX MONTHS ENDED JUNE 30 2020	2019
Net earnings	$ 183,542	$ 185,124	$ 344,418	$ 354,840
Other comprehensive income (loss), net of tax				
Items that will not be reclassified to Net earnings				
Fair value through other comprehensive income investments				
Other comprehensive income (loss), *net of tax of $284, $(3,186), $(38), and $(2,073)*	(1,841)	20,419	227	13,281
Employee benefits				
Net actuarial gains (losses), *net of tax of $25,474, $6,067, $4,509 and $13,455*	(68,883)	(16,407)	(12,187)	(36,387)
Investment in associates – employee benefits and other				
Other comprehensive income (loss), *net of tax of nil*	8,628	(3,204)	14,197	(9,895)
Items that may be reclassified subsequently to Net earnings				
Investment in associates and other				
Other comprehensive income (loss), *net of tax of $1,903, $3,765, $(374) and $3,119*	3,913	(30,092)	55,494	(734)
	(58,183)	(29,284)	57,731	(33,735)
Total comprehensive income	$ 125,359	$ 155,840	$ 402,149	$ 321,105

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

CONSOLIDATED BALANCE SHEETS

(unaudited) *(in thousands of Canadian dollars)*	JUNE 30 2020	DECEMBER 31 2019
Assets		
Cash and cash equivalents	$ 636,916	$ 720,005
Other investments *(Note 3)*	360,680	357,362
Client funds on deposit	779,903	561,269
Accounts and other receivables	414,151	394,210
Income taxes recoverable	26,822	11,925
Loans *(Note 4)*	6,919,434	7,198,043
Derivative financial instruments	38,513	15,204
Other assets *(Note 6)*	241,055	45,843
Investment in associates *(Note 7)*	1,647,261	1,753,882
Capital assets	223,713	216,956
Capitalized sales commissions	189,952	149,866
Deferred income taxes	66,424	76,517
Intangible assets	1,244,053	1,230,127
Goodwill	2,660,267	2,660,267
	$ 15,449,144	$ 15,391,476
Liabilities		
Accounts payable and accrued liabilities	$ 416,367	$ 434,957
Income taxes payable	23,440	4,867
Derivative financial instruments	43,745	17,193
Deposits and certificates	799,259	584,331
Other liabilities	444,767	441,902
Obligations to securitization entities	6,582,258	6,913,636
Lease obligations	92,328	90,446
Deferred income taxes	314,608	305,049
Long-term debt	2,100,000	2,100,000
	10,816,772	10,892,381
Shareholders' Equity		
Share capital		
Common shares	1,598,381	1,597,860
Contributed surplus	50,116	48,677
Retained earnings	3,053,846	2,980,260
Accumulated other comprehensive income (loss)	(69,971)	(127,702)
	4,632,372	4,499,095
	$ 15,449,144	$ 15,391,476

These interim condensed consolidated financial statements were approved and authorized for issuance by the Board of Directors on August 6, 2020.

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	SIX MONTHS ENDED JUNE 30					
	SHARE CAPITAL					
(unaudited) *(in thousands of Canadian dollars)*	PERPETUAL PREFERRED SHARES *(Note 8)*	COMMON SHARES *(Note 8)*	CONTRIBUTED SURPLUS	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) *(Note 11)*	TOTAL SHAREHOLDERS' EQUITY
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)**
Common share cancellation excess and other	**–**	**–**	**–**	**(2,735)**	**–**	**(2,735)**
Balance, end of period	**$ –**	**$ 1,598,381**	**$ 50,116**	**$ 3,053,846**	**$ (69,971)**	**$ 4,632,372**
2019						
Balance, beginning of period	$ 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 and other	–	–	–	(85,753)	–	(85,753)
Balance, end of period	$ –	$ 1,596,818	$ 47,099	$ 2,853,818	$ (101,001)	$ 4,396,734

(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 2020	2019
Operating activities		
Earnings before income taxes	$ 440,313	$ 455,516
Income taxes paid	(61,643)	(142,689)
Adjustments to determine net cash from operating activities		
Capitalized sales commission amortization	16,305	10,041
Capitalized sales commissions paid	(56,391)	(27,378)
Amortization of capital, intangible and other assets	40,490	39,632
Proportionate share of associates' earnings, net of dividends	(17,030)	(10,781)
Pension and other post-employment benefits	438	(389)
Changes in operating assets and liabilities and other	(36,178)	(15,747)
Cash from operating activities before restructuring provision payments	326,304	308,205
Restructuring provision cash payments	(3,559)	(22,110)
	322,745	286,095
Financing activities		
Net (decrease) increase in deposits and certificates	(4,038)	1,187
Increase in obligations to securitization entities	552,481	739,827
Repayments of obligations to securitization entities and other	(905,028)	(807,558)
Repayments of lease obligations	(12,317)	(11,293)
Issue of debentures	–	250,000
Redemption of preferred shares	–	(150,000)
Issue of common shares	498	3,850
Common shares purchased for cancellation	–	(99,963)
Perpetual preferred share dividends paid	–	(4,425)
Common share dividends paid	(268,089)	(270,996)
	(636,493)	(349,371)
Investing activities		
Purchase of other investments	(25,859)	(97,461)
Proceeds from the sale of other investments	15,006	56,258
Increase in loans	(817,182)	(750,826)
Repayment of loans and other	1,103,064	839,671
Net additions to capital assets	(15,078)	(10,032)
Net cash used in additions to intangible assets	(29,292)	(36,849)
Investment in Personal Capital Corporation	–	(66,811)
Proceeds from substantial issuer bid *(Note 7)*	–	80,408
	230,659	14,358
Decrease in cash and cash equivalents	(83,089)	(48,918)
Cash and cash equivalents, beginning of period	720,005	650,228
Cash and cash equivalents, end of period	$ 636,916	$ 601,310
Cash	$ 59,731	$ 45,890
Cash equivalents	577,185	555,420
	$ 636,916	$ 601,310
Supplemental disclosure of cash flow information related to operating activities		
Interest and dividends received	$ 146,668	$ 155,539
Interest paid	$ 133,567	$ 129,325

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020 *(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, 2019. The Interim Financial Statements should be read in conjunction with the Consolidated Financial Statements in the 2019 IGM Financial Inc. Annual Report.

The six months ended June 30, 2020 were characterized by increased uncertainty due to COVID-19. The Company is closely monitoring the current environment and assessing the impacts, if any, on its significant assumptions related to critical estimates.

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 OTHER INVESTMENTS

	JUNE 30, 2020		DECEMBER 31, 2019	
	COST	FAIR VALUE	COST	FAIR VALUE
Fair value through other comprehensive income (FVTOCI)				
Corporate investments	$ 249,360	$ 305,832	$ 244,989	$ 301,196
Fair value through profit or loss (FVTPL)				
Equity securities	1,570	1,454	1,575	1,759
Proprietary investment funds	52,188	53,394	51,304	54,407
	53,758	54,848	52,879	56,166
	$ 303,118	$ 360,680	$ 297,868	$ 357,362

NOTE 4 LOANS

	CONTRACTUAL MATURITY				
	1 YEAR OR LESS	1 – 5 YEARS	OVER 5 YEARS	JUNE 30 2020 TOTAL	DECEMBER 31 2019 TOTAL
Amortized cost					
Residential mortgages	$ 1,711,740	$ 5,181,223	$ 5,902	$ 6,898,865	$ 7,198,718
Less: Allowance for expected credit losses				765	675
				6,898,100	7,198,043
Fair value through profit or loss				21,334	–
				$ 6,919,434	$ 7,198,043

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

Balance, beginning of period	$ 675	$ 801
Write-offs, net of recoveries	(364)	(863)
Provision for credit losses	454	737
Balance, end of period	$ 765	$ 675

Total credit impaired loans as at June 30, 2020 were $5,094 (December 31, 2019 – $2,381).

The Company is working with clients that have been financially impacted by COVID-19 to defer mortgage payments for up to six months.

The International Accounting Standards Board (IASB) has provided guidance intended to support the consistent application of IFRS requirements related to the assessment of expected credit losses in light of the current uncertainty resulting from the COVID-19 pandemic. Recommendations include assessing whether the risk of default has changed over the life of the mortgages, not applying the expected credit loss mechanically (for example the payment holiday extensions should not automatically result in a significant increase in credit risk), developing estimates based on the best available information about past events, current conditions and forecasts of economic conditions, and continuous monitoring for any possible changes and new information. At June 30, 2020, after incorporating the impact of the mortgage deferral program and the IASB guidance, the Company's allowance for expected credit losses was $765 compared to $675 at December 31, 2019.

Total interest income on loans was $97.5 million (2019 – $109.6 million). Total interest expense on obligations to securitization entities, related to securitized loans, was $79.5 million (2019 – $87.7 million). Gains realized on the sale of residential mortgages totalled $2.9 million (2019 – $1.7 million). Fair value adjustments related to mortgage banking operations totalled negative $4.1 million (2019 – negative $5.0 million). These amounts were included in Net investment income and other. Net investment income and other also includes other mortgage banking related items including portfolio insurance, issue costs, and other items.

NOTE 5 SECURITIZATIONS

The Company securitizes residential mortgages through the Canada Mortgage and Housing Corporation (CMHC) sponsored National Housing Act Mortgage-Backed Securities (NHA MBS) Program and Canada Mortgage Bond (CMB) Program and through Canadian bank-sponsored asset-backed commercial paper (ABCP) programs. These transactions do not meet the requirements for derecognition as the Company retains prepayment risk and certain elements of credit risk. Accordingly, the Company has retained these mortgages on its balance sheets and has recorded offsetting liabilities for the net proceeds received as Obligations to securitization entities which are recorded at amortized cost.

The Company earns interest on the mortgages and pays interest on the obligations to securitization entities. As part of the CMB transactions, the Company enters into a swap transaction whereby the Company pays coupons on CMBs and receives investment returns on the NHA MBS and the reinvestment of repaid mortgage principal. A component of this swap, related to the obligation to pay CMB coupons and receive investment returns on repaid mortgage principal, and the hedging swap used to manage exposure to changes in variable rate investment returns, are recorded as derivatives with a negative fair value of $3.3 million at June 30, 2020 (December 31, 2019 – negative $5.8 million).

The Government of Canada has introduced measures to support Canadians through the COVID-19 crisis where mortgage payments can be deferred for up to six months and repaid over the life of the mortgage. Under the NHA MBS and CMB Program, the Company has an obligation to make timely payments to security holders regardless of whether amounts are received from mortgagors. All mortgages securitized under the NHA MBS and CMB Program are insured by CMHC or another approved insurer under the program. As part of the ABCP transactions, the Company has provided cash reserves for credit enhancement which are recorded at cost. Credit risk is limited to these cash reserves and future net interest income as the ABCP Trusts have no recourse to the Company's other assets for failure to make payments when due. Credit risk is further limited to the extent these mortgages are insured.

JUNE 30, 2020	SECURITIZED MORTGAGES	OBLIGATIONS TO SECURITIZATION ENTITIES	NET
Carrying value			
NHA MBS and CMB Program	$ 3,573,980	$ 3,637,847	$ (63,867)
Bank sponsored ABCP	2,857,096	2,944,411	(87,315)
Total	$ 6,431,076	$ 6,582,258	$ (151,182)
Fair value	$ 6,620,945	$ 6,787,158	$ (166,213)
DECEMBER 31, 2019			
Carrying value			
NHA MBS and CMB Program	$ 3,890,955	$ 3,938,732	$ (47,777)
Bank sponsored ABCP	2,938,910	2,974,904	(35,994)
Total	$ 6,829,865	$ 6,913,636	$ (83,771)
Fair value	$ 6,907,742	$ 6,996,953	$ (89,211)

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 OTHER ASSETS

	JUNE 30 2020	DECEMBER 31 2019
Investment held for sale – Personal Capital *(Note 7)*	$ 198,714	$ –
Deferred and prepaid expenses	42,214	44,673
Other	127	1,170
	$ 241,055	$ 45,843

NOTE 7 INVESTMENT IN ASSOCIATES

	LIFECO	CHINA AMC	PERSONAL CAPITAL	TOTAL
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
JUNE 30, 2019				
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	(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

The Company uses the equity method to account for its investments in Great-West Lifeco Inc. (Lifeco) and China Asset Management Co., Ltd. (China AMC) as it exercises significant influence. The equity method was used up to June 29, 2020 to account for the Company's 24.8% equity interest in Personal Capital Corporation (Personal Capital), as it exercised significant influence.

On June 29, 2020, the Company announced it will sell its equity interest in Personal Capital to a subsidiary of Lifeco, Empower Retirement, for expected proceeds of approximately $239.6 million (USD $176.6 million) and up to an additional $33.4 million (USD $24.6 million) in consideration subject to Personal Capital achieving certain target growth objectives.

As a result of the pending sale, the Company has reclassified the investment to Held for sale in Other assets (Note 6) and ceased applying the equity method of accounting prospectively. The Company will record an accounting gain on sale of approximately $40.9 million up to an additional $33.4 million from earn-outs subject to currency fluctuations at time of recognition.

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.

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, 2020		JUNE 30, 2019	
	SHARES	STATED VALUE	SHARES	STATED VALUE
Common shares:				
Balance, beginning of period	**238,294,090**	**$ 1,597,860**	240,885,317	$ 1,611,263
Issued under Stock Option Plan	**14,194**	**521**	143,010	4,069
Purchased for cancellation	**–**	**–**	(2,762,788)	(18,514)
Balance, end of period	**238,308,284**	**$ 1,598,381**	238,265,539	$ 1,596,818

NORMAL COURSE ISSUER BID

The Company commenced a normal course issuer bid on March 26, 2019 which was effective until March 25, 2020. Pursuant to this bid, the Company was authorized to purchase up to 4.0 million or 1.7% of its common shares outstanding as at March 14, 2019.

There were no common shares purchased in the six months ended June 30, 2020. In the second quarter of 2019, 2,496,695 shares were purchased at a cost of $90.8 million and in the six months ended June 30, 2019, there were 2,762,788 shares 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.

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 2020 Report to Shareholders and in Note 18 to the Consolidated Financial Statements in the 2019 IGM Financial Inc. Annual Report and have not changed significantly since December 31, 2019.

NOTE 10 SHARE-BASED PAYMENTS

STOCK OPTION PLAN

	JUNE 30 2020	DECEMBER 31 2019
Common share options		
– Outstanding	**11,450,075**	10,529,360
– Exercisable	**6,262,521**	5,470,178

In the second quarter of 2020, there were no options granted to employees (2019 – 26,230). In the six months ended June 30, 2020 the Company granted 1,537,165 options to employees (2019 – 1,511,540). The weighted-average fair value of options granted during the six months ended June 30, 2020 has been estimated at $1.31 per option (2019 – $1.82) using the Black-Scholes option pricing model. The closing share price at the grant date was $36.41.

NOTE 10 SHARE-BASED PAYMENTS *(continued)*

Other assumptions used in these valuation models include:

	SIX MONTHS ENDED JUNE 30	
	2020	2019
Exercise price	**$ 38.65**	$ 34.34
Risk-free interest rate	**1.32%**	2.07%
Expected option life	**7 years**	7 years
Expected volatility	**17.00%**	18.00%
Expected dividend yield	**6.18%**	6.55%

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)

JUNE 30, 2020	EMPLOYEE BENEFITS	OTHER INVESTMENTS	INVESTMENT IN ASSOCIATES AND OTHER	TOTAL
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)**
JUNE 30, 2019				
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)

Amounts are recorded net of tax.

The Company's Investment in associates are either foreign entities or have significant foreign operations. The $69.7 million adjustment reflects changes in foreign exchange rates which are charged to Other comprehensive income.

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 2020 Report to Shareholders and in Note 21 to the Consolidated Financial Statements in the 2019 IGM Financial Inc. Annual Report and have not changed significantly since December 31, 2019.

NOTE 12 RISK MANAGEMENT *(continued)*

COVID-19 RELATED IMPACTS

The Company has identified impacts to its financial risks due to COVID-19 in the following areas:

LIQUIDITY AND FUNDING

The Government of Canada has introduced measures to support Canadians through the COVID-19 crisis where mortgage payments can be deferred for up to six months and repaid over the life of the mortgage.

As the Company securitizes mortgages through the NHA MBS program, it is obligated to make timely payment of interest and principal payments, which will create a timing difference between the receipt of cash from clients deferring mortgage payments and the payment to the NHA MBS program of those amounts. All mortgages in the NHA MBS program are insured against default.

The Company believes its ongoing cash flows from operations, available cash balances, and liquidity available through its lines of credit are sufficient to address the Company's liquidity needs.

CREDIT RISK

The Company's allowance for expected credit losses was $0.8 million at June 30, 2020, compared to $0.7 million at December 31, 2019, and is considered adequate by management to absorb all credit-related losses in the mortgage portfolios based on: i) historical credit performance experience, ii) recent trends including the economic impact of COVID-19 and Canada's COVID-19 Economic Response Plan to support Canadians and businesses, iii) current portfolio credit metrics and other relevant characteristics, iv) our strong financial planning relationship with our clients, and v) stress testing of losses under adverse real estate market conditions.

The Company's exposure to and management of credit risk related to mortgage portfolios have not changed materially since December 31, 2019.

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.

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
		LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
JUNE 30, 2020					
Financial assets recorded at fair value					
Other investments					
– FVTOCI	$ 305,832	$ –	$ –	$ 305,832	$ 305,832
– FVTPL	54,848	54,490	–	358	54,848
Loans					
– FVTPL	21,334	–	21,334	–	21,334
Derivative financial instruments	38,513	–	36,153	2,360	38,513
Financial assets recorded at amortized cost					
Investment held for sale	198,714	–	239,615	–	239,615
Loans					
– Amortized cost	6,898,100	–	466,986	6,620,945	7,087,931
Financial liabilities recorded at fair value					
Derivative financial instruments	43,745	–	17,552	26,193	43,745
Financial liabilities recorded at amortized cost					
Deposits and certificates	799,259	–	799,697	–	799,697
Obligations to securitization entities	6,582,258	–	–	6,787,158	6,787,158
Long-term debt	2,100,000	–	2,503,342	–	2,503,342
DECEMBER 31, 2019					
Financial assets recorded at fair value					
Other investments					
– FVTOCI	$ 301,196	$ –	$ –	$ 301,196	$ 301,196
– FVTPL	56,166	55,603	–	563	56,166
Derivative financial instruments	15,204	–	10,762	4,442	15,204
Financial assets recorded at amortized cost					
Loans					
– Amortized cost	7,198,043	–	366,020	6,907,743	7,273,763
Financial liabilities recorded at fair value					
Derivative financial instruments	17,193	–	11,845	5,348	17,193
Financial liabilities recorded at amortized cost					
Deposits and certificates	584,331	–	584,662	–	584,662
Obligations to securitization entities	6,913,636	–	–	6,996,953	6,996,953
Long-term debt	2,100,000	–	2,453,564	–	2,453,564

There were no significant transfers between Level 1 and Level 2 in the second quarter of 2020 and 2019.

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, 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)**
JUNE 30, 2019							
Other investments							
– FVTOCI	$ 372,396	$ –	$ 15,354	$ 47,144	$ –	$ (150,141)[2]	$ 284,753
– FVTPL	552	67	–	–	–	–	619
Derivative financial instruments, net	4,899	(13,138)	–	(1,144)	(290)	–	(9,093)

(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	
	2020	2019	**2020**	2019
Earnings				
Net earnings	**$ 183,542**	$ 185,124	**$ 344,418**	$ 354,840
Perpetual preferred share dividends	**–**	–	**–**	2,213
Net earnings available to common shareholders	**$ 183,542**	$ 185,124	**$ 344,418**	$ 352,627
Number of common shares *(in thousands)*				
Weighted average number of common shares outstanding	**238,308**	238,968	**238,305**	239,944
Add: Potential exercise of outstanding stock options[1]	**–**	92	**–**	–
Average number of common shares outstanding – diluted basis	**238,308**	239,060	**238,305**	239,944
Earnings per common share *(in dollars)*				
Basic	**$ 0.77**	$ 0.77	**$ 1.45**	$ 1.47
Diluted	**$ 0.77**	$ 0.77	**$ 1.45**	$ 1.47

(1) Excludes 4,613 thousand shares for the three months ended June 30, 2020 (2019 – 1,587 thousand) related to outstanding stock options that were anti-dilutive. Excludes 3,131 thousand shares for the six months ended June 30, 2020 (2019 – 2,052 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 and weakness 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 duration and full impact of the COVID-19 pandemic is unknown at this time, as is the efficacy of the government and central bank interventions. 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:

- IG Wealth Management
- Mackenzie Investments
- Corporate and Other

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

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 7), net investment income on unallocated investments, other income, and also includes consolidation elimination entries.

NOTE 16 SEGMENTED INFORMATION *(continued)*

2020

THREE MONTHS ENDED JUNE 30	IG WEALTH MANAGEMENT	MACKENZIE INVESTMENTS	CORPORATE AND OTHER	TOTAL
Revenues				
Management and advisory fees	$ 353,225	$ 169,821	$ 16,931	$ 539,977
Administration fees	68,425	23,744	4,236	96,405
Distribution fees	34,556	876	45,076	80,508
Net investment income and other	9,004	2,912	3,312	15,228
Proportionate share of associates' earnings	–	–	43,379	43,379
	465,210	197,353	112,934	775,497
Expenses				
Commission	145,395	69,977	41,392	256,764
Non-commission	154,413	83,863	21,584	259,860
	299,808	153,840	62,976	516,624
Earnings before undernoted	$ 165,402	$ 43,513	$ 49,958	258,873
Interest expense(1)				(27,470)
Earnings before income taxes				231,403
Income taxes				47,861
Net earnings available to common shareholders				$ 183,542

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

2019

THREE MONTHS ENDED JUNE 30	IG WEALTH MANAGEMENT	MACKENZIE INVESTMENTS	CORPORATE AND OTHER	TOTAL
Revenues				
Management and advisory 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
Expenses				
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(1)				(27,648)
Proportionate share of associate's one-time loss				(8,000)
Earnings before income taxes				240,756
Income taxes				55,632
Net earnings available to common shareholders				$ 185,124

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

NOTE 16 SEGMENTED INFORMATION *(continued)*

2020

SIX MONTHS ENDED JUNE 30	IG WEALTH MANAGEMENT	MACKENZIE INVESTMENTS	CORPORATE AND OTHER	TOTAL
Revenues				
Management and advisory fees	$ 721,330	$ 345,828	$ 34,898	$ 1,102,056
Administration fees	141,199	48,618	8,471	198,288
Distribution fees	73,251	2,357	93,470	169,078
Net investment income and other	17,717	156	6,841	24,714
Proportionate share of associates' earnings	–	–	63,424	63,424
	953,497	396,959	207,104	1,557,560
Expenses				
Commission	294,891	145,400	86,457	526,748
Non-commission	319,777	172,337	43,608	535,722
	614,668	317,737	130,065	1,062,470
Earnings before undernoted	$ 338,829	$ 79,222	$ 77,039	495,090
Interest expense[1]				(54,777)
Earnings before income taxes				440,313
Income taxes				95,895
Net earnings available to common shareholders				$ 344,418
Identifiable assets	$ 8,474,211	$ 1,151,868	$ 3,162,798	$ 12,788,877
Goodwill	1,347,781	1,168,580	143,906	2,660,267
Total assets	$ 9,821,992	$ 2,320,448	$ 3,306,704	$ 15,449,144

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

NOTE 16 SEGMENTED INFORMATION *(continued)*

2019

SIX MONTHS ENDED JUNE 30	IG WEALTH MANAGEMENT	MACKENZIE INVESTMENTS	CORPORATE AND OTHER	TOTAL
Revenues				
Management and advisory 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[1]				(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 interest on leases.

NOTE 17 SUBSEQUENT EVENTS

On August 4, 2020, the Company's subsidiary, Mackenzie, announced it has entered into a definitive agreement to acquire all of the common shares of GLC Asset Management Group Ltd. (GLC), a wholly-owned subsidiary of The Canada Life Assurance Company (Canada Life), for cash consideration of $175 million. Canada Life is a wholly-owned subsidiary of Lifeco.

GLC has $36 billion in assets under management and a 50-year history of providing investment advisory services to a range of mutual funds, individual and group segregated funds offered by and through Canada Life.

As part of the transaction, Canada Life will acquire the fund management contracts relating to private label Quadrus Group of Funds (QGOF) from Mackenzie for cash consideration of $30 million. Mackenzie is currently the manager and trustee of the QGOF. Subsequent to the sale, Mackenzie will continue to provide investment and administration services to the QGOF.

The transaction is expected to close in the second half of 2020 subject to customary closing conditions, including regulatory approvals.