

CONSOLIDATED FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of IGM Financial Inc.

OPINION

We have audited the consolidated financial statements of IGM Financial Inc. (the "Company"), which comprise the consolidated balance sheets as at December 31, 2019 and 2018, and the consolidated statements of earnings, comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

BASIS FOR OPINION

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

INDEPENDENT AUDITOR'S REPORT *(continued)*

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is David Dalziel.

Deloitte LLP

Chartered Professional Accountants

Winnipeg, Manitoba

February 14, 2020

CONSOLIDATED STATEMENTS OF EARNINGS

FOR THE YEARS ENDED DECEMBER 31

(in thousands of Canadian dollars, except per share amounts)

2019

2018

Revenues

Management fees	\$ 2,267,960	\$ 2,239,182
Administration fees	414,457	427,093
Distribution fees	368,036	370,906
Net investment income and other	76,928	61,928
Proportionate share of associates' earnings (Note 8)	105,225	149,962
	3,232,606	3,249,071

Expenses

Commission	1,101,165	1,098,643
Non-commission (Note 3)	1,054,389	1,043,482
Interest (Note 16 and 27)	108,386	120,859
	2,263,940	2,262,984

Earnings before income taxes	968,666	986,087
Income taxes (Note 15)	219,719	209,919

Net earnings

Perpetual preferred share dividends	2,213	8,850
Net earnings available to common shareholders	\$ 746,734	\$ 767,318

Earnings per share (in dollars) (Note 24)

– Basic	\$ 3.12	\$ 3.19
– Diluted	\$ 3.12	\$ 3.18

(See accompanying notes to consolidated financial statements.)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31
(in thousands of Canadian dollars)

	2019	2018
Net earnings	\$ 748,947	\$ 776,168
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 \$(1,651) and \$(2,835)	10,597	18,166
Employee benefits		
Net actuarial gains (losses), net of tax of \$6,243 and \$6,117	(16,895)	(16,523)
Investment in associates - employee benefits and other		
Other comprehensive income (loss), net of tax of nil	(19,129)	5,035
Items that may be reclassified subsequently to Net earnings		
Investment in associates and other		
Other comprehensive income (loss), net of tax of \$3,448 and \$(412)	(35,009)	18,637
	(60,436)	25,315
Total comprehensive income	\$ 688,511	\$ 801,483

(See accompanying notes to consolidated financial statements.)

CONSOLIDATED BALANCE SHEETS

AS AT DECEMBER 31

(in thousands of Canadian dollars)

	2019	2018
Assets		
Cash and cash equivalents	\$ 720,005	\$ 650,228
Other investments (Note 4)	357,362	459,911
Client funds on deposit	561,269	546,787
Accounts and other receivables	394,210	319,609
Income taxes recoverable	11,925	9,316
Loans (Note 5)	7,198,043	7,738,031
Derivative financial instruments (Note 22)	15,204	16,364
Other assets (Note 7)	45,843	46,531
Investment in associates (Note 8)	1,753,882	1,651,304
Capital assets (Note 9)	216,956	138,647
Capitalized sales commissions (Note 10)	149,866	105,044
Deferred income taxes (Note 15)	76,517	75,607
Intangible assets (Note 11)	1,230,127	1,191,068
Goodwill (Note 11)	2,660,267	2,660,267
	\$ 15,391,476	\$ 15,608,714
Liabilities		
Accounts payable and accrued liabilities	\$ 434,957	\$ 397,379
Income taxes payable	4,867	51,894
Derivative financial instruments (Note 22)	17,193	28,990
Deposits and certificates (Note 12)	584,331	568,799
Other liabilities (Note 13)	441,902	444,173
Obligations to securitization entities (Note 6)	6,913,636	7,370,193
Lease obligations	90,446	-
Deferred income taxes (Note 15)	305,049	295,719
Long-term debt (Note 16)	2,100,000	1,850,000
	10,892,381	11,007,147
Shareholders' Equity		
Share capital		
Perpetual preferred shares	-	150,000
Common shares	1,597,860	1,611,263
Contributed surplus	48,677	45,536
Retained earnings	2,980,260	2,840,566
Accumulated other comprehensive income (loss)	(127,702)	(45,798)
	4,499,095	4,601,567
	\$ 15,391,476	\$ 15,608,714

These financial statements were approved and authorized for issuance by the Board of Directors on February 14, 2020.



Jeffrey R. Carney
Director



John McCallum
Director

(See accompanying notes to consolidated financial statements.)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(in thousands of Canadian dollars)	SHARE CAPITAL			RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) (Note 20)	TOTAL SHAREHOLDERS' EQUITY
	PERPETUAL PREFERRED SHARES (Note 17)	COMMON SHARES (Note 17)	CONTRIBUTED SURPLUS			
2019						
Balance, beginning of year						
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	-	-	-	748,947	-	748,947
Other comprehensive income (loss), net of tax	-	-	-	-	(60,436)	(60,436)
Total comprehensive income	-	-	-	748,947	(60,436)	688,511
Redemption of preferred shares	(150,000)	-	-	-	-	(150,000)
Common shares						
Issued under stock option plan	-	5,111	-	-	-	5,111
Purchased for cancellation	-	(18,514)	-	-	-	(18,514)
Stock options						
Current period expense	-	-	3,406	-	-	3,406
Exercised	-	-	(265)	-	-	(265)
Perpetual preferred share dividends	-	-	-	(2,213)	-	(2,213)
Common share dividends	-	-	-	(537,588)	-	(537,588)
Transfer out of fair value through other comprehensive income	-	-	-	21,468	(21,468)	-
Common share cancellation excess and other	-	-	-	(85,352)	-	(85,352)
Balance, end of year	\$ -	\$ 1,597,860	\$ 48,677	\$ 2,980,260	\$ (127,702)	\$ 4,499,095
2018						
Balance, beginning of year	\$ 150,000	\$ 1,602,726	\$ 42,633	\$ 2,620,797	\$ (71,113)	\$ 4,345,043
Net earnings	-	-	-	776,168	-	776,168
Other comprehensive income (loss), net of tax	-	-	-	-	25,315	25,315
Total comprehensive income	-	-	-	776,168	25,315	801,483
Common shares						
Issued under stock option plan	-	8,537	-	-	-	8,537
Stock options						
Current period expense	-	-	3,687	-	-	3,687
Exercised	-	-	(784)	-	-	(784)
Perpetual preferred share dividends	-	-	-	(8,850)	-	(8,850)
Common share dividends	-	-	-	(541,883)	-	(541,883)
Other	-	-	-	(5,666)	-	(5,666)
Balance, end of year	\$ 150,000	\$ 1,611,263	\$ 45,536	\$ 2,840,566	\$ (45,798)	\$ 4,601,567

(See accompanying notes to consolidated financial statements.)

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31
(in thousands of Canadian dollars)

	2019	2018
Operating activities		
Earnings before income taxes	\$ 968,666	\$ 986,087
Income taxes paid	(236,676)	(132,611)
Adjustments to determine net cash from operating activities		
Capitalized sales commission amortization	22,387	14,462
Capitalized sales commissions paid	(67,209)	(55,685)
Amortization of capital, intangible and other assets	79,496	56,065
Proportionate share of associates' earnings, net of dividends received	(32,251)	(77,190)
Pension and other post-employment benefits	(4,810)	(18,428)
Restructuring provisions and other	-	22,758
Changes in operating assets and liabilities and other	9,316	51,626
Cash from operating activities before restructuring provision payments	738,919	847,084
Restructuring provision cash payments	(26,853)	(61,931)
	712,066	785,153
Financing activities		
Net decrease in deposits and certificates	(2,472)	(1,248)
Increase in obligations to securitization entities	1,456,265	1,771,735
Repayments of obligations to securitization entities and other	(1,960,757)	(2,034,429)
Repayment of lease obligations	(23,370)	-
Issue of debentures	250,000	200,000
Repayment of debentures	-	(525,000)
Redemption of preferred shares	(150,000)	-
Issue of common shares	4,846	7,753
Common shares purchased for cancellation	(99,963)	-
Perpetual preferred share dividends paid	(4,425)	(8,850)
Common share dividends paid	(539,046)	(541,759)
	(1,068,922)	(1,131,798)
Investing activities		
Purchase of other investments	(118,917)	(154,463)
Proceeds from the sale of other investments	85,462	93,498
Increase in loans	(1,682,079)	(1,748,387)
Repayment of loans and other	2,211,504	1,895,648
Net additions to capital assets	(18,813)	(7,117)
Net cash used in additions to intangible assets and acquisitions	(64,121)	(49,149)
Investment in Personal Capital Corporation	(66,811)	-
Proceeds from substantial issuer bid (Note 8)	80,408	-
	426,633	30,030
Increase (decrease) in cash and cash equivalents	69,777	(316,615)
Cash and cash equivalents, beginning of year	650,228	966,843
Cash and cash equivalents, end of year	\$ 720,005	\$ 650,228
Cash	\$ 67,986	\$ 81,799
Cash equivalents	652,019	568,429
	\$ 720,005	\$ 650,228
Supplemental disclosure of cash flow information related to operating activities		
Interest and dividends received	\$ 301,738	\$ 296,793
Interest paid	\$ 271,914	\$ 290,510

(See accompanying notes to consolidated financial statements.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018 *(In thousands of Canadian dollars, except shares and per share amounts)*

NOTE 1 CORPORATE INFORMATION

IGM Financial Inc. (the Company) is a publicly listed company (TSX: IGM), incorporated and domiciled in Canada. The registered address of the Company is 447 Portage Avenue, Winnipeg, Manitoba, Canada. The Company is controlled by Power Financial Corporation.

IGM Financial Inc. is a 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

The Consolidated Financial Statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). The policies set out below were consistently applied to all the periods presented unless otherwise noted.

USE OF JUDGMENT, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with IFRS requires management to exercise judgment in the process of applying accounting policies and requires management to make estimates and assumptions that affect the amounts reported in the Consolidated Financial Statements. The key areas where judgment has been applied include: the determination of which financial assets should be derecognized; the assessment of the appropriate classification of financial instruments, including those classified as fair value through profit or loss; and the assessment that significant influence exists for its investment in associates. Key components of the financial statements requiring management to make estimates include: the fair value of financial instruments, goodwill, intangible assets, income taxes, capitalized sales commissions, provisions and employee benefits. Actual results may differ from such estimates. Further detail of judgments and estimates are found in the remainder of Note 2 and in Notes 6, 8, 10, 11, 13, 14, 15 and 23.

BASIS OF CONSOLIDATION

The Consolidated Financial Statements include the accounts of the Company and all subsidiaries on a consolidated basis after elimination of intercompany transactions and balances. Subsidiaries are entities the Company controls when it is exposed, or has rights, to variable returns from its involvement and has the ability to affect those returns through its power to direct the relevant activities of the entity.

The Company's investments in Great-West Lifeco Inc. (Lifeco), China Asset Management Co., Ltd. (China AMC) and Personal Capital Corporation (Personal Capital) are accounted for using the equity method. The investments were initially recorded at cost and the carrying amounts are increased or decreased to recognize the Company's share of the investments' comprehensive income (loss) and the dividends received since the date of acquisition.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

CHANGES IN ACCOUNTING POLICIES *(continued)*

IFRS 16 Leases (IFRS 16) *(continued)*

\$9.4 million (\$5.6 million after-tax and other adjustments) 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.

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
Assets			
Other assets ⁽¹⁾	\$ 46,531	\$ (61)	\$ 46,470
Capital assets	138,647	96,065	234,712
		<u>\$ 96,004</u>	
Liabilities & Shareholders' Equity			
Accounts payable and accrued liabilities ⁽¹⁾	\$ 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

REVENUE RECOGNITION

Management fees are based on the net asset value of investment fund or other assets under management and are accrued as the service is performed. Administration fees are also accrued as the service is performed. Distribution fees derived from investment fund and securities transactions are recognized on a trade date basis. Distribution fees derived from insurance and other financial services transactions are recognized on an accrual basis. Consideration is collected within a short period from the date of revenue recognition of the associated services. Aggregate receivables related to these services as at December 31, 2019 were \$92.1 million (2018 - \$66.0 million).

FINANCIAL INSTRUMENTS

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

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

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

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

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash and temporary investments consisting of highly liquid investments with short-term maturities. Interest income is recorded on an accrual basis in Net investment income and other in the Consolidated Statements of Earnings.

OTHER INVESTMENTS

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

The Company has elected to classify certain equity investments that are not held for trading as FVTOCI. Unrealized gains and losses on these FVTOCI investments are recorded in Other comprehensive income and transferred directly to retained earnings when realized without being recorded through profit or loss. Dividends declared are recorded in Net investment income and other in the Consolidated Statements of Earnings.

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

LOANS

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

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

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

DERECOGNITION

The Company enters into transactions where it transfers financial assets recognized on its balance sheet. The determination of whether the financial assets are derecognized is based on the extent to which the risks and rewards of ownership are transferred. The gains or losses and the servicing fee revenue for financial assets that are derecognized are reported in Net investment income and other in the Consolidated Statements of Earnings. The transactions for financial assets that are not derecognized are accounted for as secured financing transactions.

SALES COMMISSIONS

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

SALES COMMISSIONS *(continued)*

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

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

CAPITAL ASSETS

Capital assets are comprised of Property and equipment and Right-of-use assets.

Property and equipment

Buildings, furnishings and equipment are amortized on a straight-line basis over their estimated useful lives, which range from 3 to 17 years for equipment and furnishings and 10 to 50 years for the building and its components. Capital assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Right-of-use assets

A right-of-use asset representing the Company's property leases 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.

LEASES

For contracts that contain a lease, the Company recognizes a right-of-use asset and a lease liability. 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.

GOODWILL AND INTANGIBLE ASSETS

The Company tests the carrying value of goodwill and indefinite life intangible assets for impairment at least once a year and more frequently if an event or circumstance indicates the asset may be impaired. An impairment loss is recognized if the amount of the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal or its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash generating units).

Investment fund management contracts have been assessed to have an indefinite useful life as the contractual right to manage the assets has no fixed term.

Trade names have been assessed to have an indefinite useful life as they contribute to the revenues of the Company's integrated asset management business as a whole and the Company intends to utilize them for the foreseeable future.

Intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives. Software assets are amortized over a period not exceeding 7 years and distribution and other management contracts are amortized over a period not exceeding 20 years. Finite life intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable.

EMPLOYEE BENEFITS

The Company maintains a number of employee benefit plans including defined benefit plans and defined contribution pension plans for eligible employees. These plans are related parties in accordance with IFRS. The Company's defined benefit plans include a funded defined benefit pension plan for eligible employees, unfunded supplementary executive retirement plans (SERP) for certain executive officers, and an unfunded post-employment health care, dental and life insurance plan for eligible retirees.

The defined benefit pension plan provides pensions based on length of service and final average earnings.

The cost of the defined benefit plans is actuarially determined using the projected unit credit method prorated on service based upon management's assumptions about discount rates, compensation increases, retirement ages of employees, mortality and expected health care costs. Any changes in these assumptions will impact the carrying amount of pension obligations. The Company's accrued benefit liability in respect of defined benefit plans is calculated separately for each plan by discounting the amount of the benefit that employees have earned in return for their service in current and prior periods and deducting the fair value of any plan assets. The Company determines the net interest component of the pension expense for the period by applying the discount rate used to measure the accrued benefit liability at the beginning of the annual period to the net accrued benefit liability. The discount rate used to value liabilities is determined using a yield curve of AA corporate debt securities.

If the plan benefits are changed, or a plan is curtailed, any past service costs or curtailment gains or losses are recognized immediately in net earnings.

Current service costs, past service costs and curtailment gains or losses are included in Non-commission expenses.

Remeasurements arising from defined benefit plans represent actuarial gains and losses and the actual return on plan assets, less interest calculated at the discount rate. Remeasurements are recognized immediately through Other comprehensive income (OCI) and are not reclassified to net earnings.

The accrued benefit liability represents the deficit related to defined benefit plans and is included in Other liabilities.

Payments to the defined contribution pension plans are expensed as incurred.

SHARE-BASED PAYMENTS

The Company uses the fair value based method to account for stock options granted to employees. The fair value of stock options is determined on each grant date. Compensation expense is recognized over the period that the stock options vest, with a corresponding increase in Contributed surplus. When stock options are exercised, the proceeds together with the amount recorded in Contributed surplus are added to Share capital.

The Company recognizes a liability for cash settled awards including those granted under the Performance Share Unit, Restricted Share Unit and Deferred Share Unit plans. Compensation expense is recognized over the vesting period, net of related hedges. The liability is remeasured at fair value at each reporting period.

PROVISIONS

A provision is recognized if, as a result of a past event, the Company has a present obligation where a reliable estimate can be made, and it is probable that an outflow of resources will be required to settle the obligation.

INCOME TAXES

The Company uses the liability method in accounting for income taxes whereby deferred income tax assets and liabilities reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their tax bases and tax loss carryforwards. Deferred income tax assets and liabilities are measured based on the enacted or substantively enacted tax rates which are anticipated to be in effect when the temporary differences are expected to reverse.

EARNINGS PER SHARE

Basic earnings per share is determined by dividing Net earnings available to common shareholders by the weighted average number of common shares outstanding for the year. Diluted earnings per share is determined using the same method as basic earnings per share except that the average number of common shares outstanding includes the potential dilutive effect of outstanding stock options granted by the Company as determined by the treasury stock method.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are utilized by the Company in the management of equity price and interest rate risks. The Company does not utilize derivative financial instruments for speculative purposes.

The Company formally documents all hedging relationships, as well as its risk management objective and strategy for undertaking various hedging transactions. This process includes linking all derivatives to specific assets and liabilities on the Consolidated Balance Sheets or to anticipated future transactions. The Company also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. Derivative financial instruments are recorded at fair value in the Consolidated Balance Sheets.

Derivative financial instruments specifically designated as a hedge and meeting the criteria for hedge effectiveness offset the changes in fair values or cash flows of hedged items. A hedge is designated either as a cash flow hedge or a fair value hedge. A cash flow hedge requires the change in fair value of the derivative, to the extent effective, to be recorded in Other comprehensive income, which is reclassified to the Consolidated Statements of Earnings when the hedged item affects earnings. The change in fair value of the ineffective portion of the derivative in a cash flow hedge is recorded in the Consolidated Statements of Earnings. A fair value hedge requires the change in fair value of the hedging derivative and the change in fair value of the hedged item relating to the hedged risk to both be recorded in the Consolidated Statements of Earnings.

The Company enters into interest rate swaps as part of its mortgage banking and intermediary operations. These swap agreements require the periodic exchange of net interest payments without the exchange of the notional principal amount on which the payments are based. Swaps entered into to hedge the costs of funds on certain securitization activities are designated as hedging instruments (Note 21). The effective portion of changes in fair value are initially recorded in Other comprehensive income and subsequently recorded in Net investment income and other in the Consolidated Statements of Earnings over the term of the associated Obligations to securitization entities. Remaining mortgage related swaps are not designated as hedging instruments and changes in fair value are recorded directly in Net investment income and other in the Consolidated Statements of Earnings.

The Company also enters into total return swaps and forward agreements to manage its exposure to fluctuations in the total return of its common shares related to deferred compensation arrangements. Total return swap and forward agreements require the exchange of net contractual payments periodically or at maturity without the exchange of the notional principal amounts on which the payments are based. Certain of these derivatives are not designated as hedging instruments and changes in fair value are recorded in Non-commission expense in the Consolidated Statements of Earnings.

Derivatives continue to be utilized on a basis consistent with the risk management policies of the Company and are monitored by the Company for effectiveness as economic hedges even if specific hedge accounting requirements are not met.

OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities are offset and the net amount is presented on the Consolidated Balance Sheets when the Company has a legally enforceable right to set off the recognized amounts and intends to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

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 NON-COMMISSION EXPENSE

	2019	2018
Salaries and employee benefits	\$ 517,796	\$ 481,116
Restructuring and other	-	22,758
Occupancy	27,840	56,816
Amortization of capital, intangible and other assets	79,496	56,065
Other	429,257	426,727
	\$ 1,054,389	\$ 1,043,482

In 2018, the Company incurred restructuring and other charges of \$22.7 million related to the re-engineering of North American equity offerings and associated personnel changes, as well as other initiatives to improve the Company's offerings and operational effectiveness.

NOTE 4 OTHER INVESTMENTS

	2019		2018	
	COST	FAIR VALUE	COST	FAIR VALUE
Fair value through other comprehensive income (FVTOCI)				
Corporate investments	\$ 244,989	\$ 301,196	\$ 303,619	\$ 372,396
Fair value through profit or loss (FVTPL)				
Equity securities	1,575	1,759	16,976	12,915
Proprietary investment funds	51,304	54,407	78,504	74,600
	52,879	56,166	95,480	87,515
	\$ 297,868	\$ 357,362	\$ 399,099	\$ 459,911

FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Corporate investments

Corporate investments is primarily comprised of the Company's investments in Wealthsimple Financial Corporation (Wealthsimple), and Portag3 Ventures LP and Portag3 Ventures II LP (Portag3). At December 31, 2018, investments also included 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% and resulted in reclassification of the investment in Personal Capital from FVTOCI to the equity method (Note 8).

Wealthsimple is an online investment manager that provides financial investment guidance. Portag3 is an early-stage investment fund dedicated to backing innovating financial services companies. Wealthsimple and Portag3 are both controlled by the Company's parent, Power Financial Corporation.

In 2019, the Company invested \$51.9 million related to Wealthsimple (2018 - \$72.3 million) and \$14.8 million related to Portag3 (2018 - \$16.3 million).

FAIR VALUE THROUGH PROFIT OR LOSS

Proprietary investment funds

The Company manages and provides services and earns management and administration fees, in respect of investment funds that are not recognized in the Consolidated Balance Sheets. As at December 31, 2019, there were \$161.8 billion in investment fund assets under management (2018 - \$143.3 billion). The Company's investments in proprietary investment funds are classified on the Company's Consolidated Balance Sheets as fair value through profit or loss. These investments are generally made in the process of launching a new fund and are sold as third party investors subscribe. This balance represents the Company's maximum exposure to loss associated with these investments.

NOTE 4 OTHER INVESTMENTS *(continued)*

FAIR VALUE THROUGH PROFIT OR LOSS *(continued)*

Proprietary investment funds *(continued)*

Certain investment funds are consolidated where the Company has made the assessment that it controls the investment fund. As at December 31, 2019, the underlying investments related to these consolidated investment funds primarily consisted of cash and short-term investments of \$7.1 million (2018 - \$11.2 million), equity securities of \$21.8 million (2018 - \$33.8 million) and fixed income securities of \$6.0 million (2018 - \$3.0 million). The underlying securities of these funds are classified as FVTPL and recognized at fair value.

NOTE 5 LOANS

	CONTRACTUAL MATURITY			2019 TOTAL	2018 TOTAL
	1 YEAR OR LESS	1 - 5 YEARS	OVER 5 YEARS		
Amortized cost					
Residential mortgages	\$ 1,524,491	\$ 5,666,635	\$ 7,592	\$ 7,198,718	\$ 7,734,529
Less: Allowance for expected credit losses				675	801
				<u>7,198,043</u>	<u>7,733,728</u>
Fair value through profit or loss				-	4,303
				<u>\$ 7,198,043</u>	<u>\$ 7,738,031</u>
The change in the allowance for expected credit losses is as follows:					
Balance, beginning of year				\$ 801	\$ 806
Write-offs, net of recoveries				(863)	(326)
Expected credit losses				737	321
Balance, end of year				<u>\$ 675</u>	<u>\$ 801</u>

Total credit impaired loans as at December 31, 2019 were \$2,381 (2018 - \$3,271).

Total interest income on loans was \$218.3 million (2018 - \$213.9 million). Total interest expense on obligations to securitization entities, related to securitized loans, was \$171.9 million (2018 - \$165.2 million). Gains realized on the sale of residential mortgages totalled \$3.2 million (2018 - \$1.5 million). Fair value adjustments related to mortgage banking operations totalled negative \$4.3 million (2018 - negative \$13.6 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 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, is recorded as a derivative and had a negative fair value of \$0.9 million at December 31, 2019 (2018 - positive \$4.9 million).

NOTE 6 SECURITIZATIONS *(continued)*

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
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)
2018			
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 7 OTHER ASSETS

	2019	2018
Deferred and prepaid expenses	\$ 44,673	\$ 45,461
Other	1,170	1,070
	\$ 45,843	\$ 46,531

Total other assets of \$19.1 million as at December 31, 2019 (2018 - \$18.9 million) are expected to be realized within one year.

NOTE 8 INVESTMENT IN ASSOCIATES

	LIFECO		CHINA AMC		PERSONAL CAPITAL		TOTAL
2019							
Balance, beginning of year	\$	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		(62,673)		(10,301)		-	(72,974)
Proportionate share of:							
Earnings (losses)		109,088		30,119		(16,782)	122,425
Associate's one-time charges		(17,200)		-		-	(17,200)
Other comprehensive income (loss) and other adjustments		(19,985)		(40,599)		(5,633)	(66,217)
Balance, end of year	\$	896,651	\$	662,694	\$	194,537	\$ 1,753,882
2018							
Balance, beginning of year	\$	901,405	\$	647,880	\$	-	\$ 1,549,285
Dividends received		(61,831)		(12,156)		-	(73,987)
Proportionate share of:							
Earnings		120,966		28,996		-	149,962
Other comprehensive income (loss) and other adjustments		7,289		18,755		-	26,044
Balance, end of year	\$	967,829	\$	683,475	\$	-	\$ 1,651,304

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)

Lifeco is a publicly listed company that is incorporated and domiciled in Canada and is controlled by Power Financial Corporation. Lifeco is a financial services holding company with interests in the life insurance, health insurance, retirement savings, investment management and reinsurance businesses, primarily in Canada, the United States, Europe and Asia.

At December 31, 2019, the Company held 37,337,133 (2018 - 39,737,388) shares of Lifeco, which represented an equity interest of 4.0% (2018 - 4.0%). Significant influence arises from several factors, including but not limited to the following: common control of Lifeco by Power Financial Corporation, directors common to the boards of the Company and Lifeco, certain shared strategic alliances, significant intercompany transactions and service agreements that influence the financial and operating policies of both companies. The Company's proportionate share of Lifeco's earnings is recorded in the Consolidated Statements of Earnings.

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. In December 2019, Lifeco recorded one-time charges in relation to the revaluation of a deferred tax asset, restructuring costs and the net gain on the Scottish Friendly transaction. The Company's after-tax proportionate share of these charges was \$17.2 million.

The fair value of the Company's investment in Lifeco totalled \$1,241.8 million at December 31, 2019 (2018 - \$1,118.6 million). The Company has elected to apply the exemption in IFRS 4 *Insurance Contracts* to retain Lifeco's relevant accounting policies related to Lifeco's deferral of the adoption of IFRS 9 *Financial Instruments*.

Lifeco directly owned 9,200,000 shares of the Company at December 31, 2019 (2018 - 9,200,000).

Lifeco's financial information as at December 31, 2019 can be obtained in its publicly available information.

NOTE 8 INVESTMENT IN ASSOCIATES *(continued)*

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 December 31, 2019, the Company held a 13.9% ownership interest in China AMC (2018 - 13.9%). Significant influence arises from board representation, participating in the policy making process, shared strategic initiatives including joint product launches and collaboration between management and investment teams.

The following table sets forth certain summary financial information from China AMC:

AS AT DECEMBER 31 <i>(millions)</i>	2019		2018	
	CANADIAN DOLLARS	CHINESE YUAN	CANADIAN DOLLARS	CHINESE YUAN
Total assets	2,171	11,645	2,051	10,342
Total liabilities	504	2,701	445	2,242
FOR THE YEAR ENDED DECEMBER 31				
Revenue	763	3,977	733	3,733
Net earnings available to common shareholders	230	1,201	224	1,140
Total comprehensive income	234	1,219	235	1,171

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% and, combined with its board representation, resulted in the Company exercising significant influence.

As at December 31, 2019, the Company held a 24.8% equity interest in Personal Capital. IGM Financial's equity earnings from Personal Capital includes its proportionate share of Personal Capital's net loss adjusted by IGM Financial's amortization of intangible assets that it recognized as part of its investment in the company.

The following table sets forth certain summary financial information for Personal Capital:

AS AT DECEMBER 31 <i>(millions)</i>	2019		2018	
	CANADIAN DOLLARS	US DOLLARS	CANADIAN DOLLARS	US DOLLARS
Total assets	85.9	66.1	–	–
Total liabilities	23.0	17.7	–	–
FOR THE YEAR ENDED DECEMBER 31				
Revenue	99.8	75.3	–	–
Net loss available to common shareholders	(56.4)	(42.5)	–	–
Total comprehensive loss	(56.4)	(42.5)	–	–

NOTE 9 CAPITAL ASSETS

	FURNITURE AND EQUIPMENT	BUILDING AND COMPONENTS	RIGHT-OF-USE ASSETS	TOTAL
2019				
Cost	\$ 321,108	\$ 66,817	\$ 104,343	\$ 492,268
Less: accumulated amortization	(236,809)	(15,016)	(23,487)	(275,312)
	\$ 84,299	\$ 51,801	\$ 80,856	\$ 216,956
Changes in capital assets:				
Balance, beginning of year	\$ 88,185	\$ 50,462	\$ -	\$ 138,647
Adoption of IFRS 16	-	-	96,065	96,065
Additions	16,679	2,841	8,278	27,798
Disposals	(893)	-	-	(893)
Amortization	(19,672)	(1,502)	(23,487)	(44,661)
Balance, end of year	\$ 84,299	\$ 51,801	\$ 80,856	\$ 216,956
2018				
Cost	\$ 306,416	\$ 63,976	\$ -	\$ 370,392
Less: accumulated amortization	(218,231)	(13,514)	-	(231,745)
	\$ 88,185	\$ 50,462	\$ -	\$ 138,647
Changes in capital assets:				
Balance, beginning of year	\$ 99,335	\$ 52,186	\$ -	\$ 151,521
Additions	16,177	213	-	16,390
Disposals	(5,833)	(536)	-	(6,369)
Amortization	(21,494)	(1,401)	-	(22,895)
Balance, end of year	\$ 88,185	\$ 50,462	\$ -	\$ 138,647

NOTE 10 CAPITALIZED SALES COMMISSIONS

	2019	2018
Cost	\$ 192,504	\$ 125,264
Less: accumulated amortization	(42,638)	(20,220)
	\$ 149,866	\$ 105,044
Changes in capitalized sales commissions		
Balance, beginning of year	\$ 105,044	\$ 63,821
Changes due to:		
Sales of investment funds	67,209	55,685
Amortization	(22,387)	(14,462)
	44,822	41,223
Balance, end of year	\$ 149,866	\$ 105,044

NOTE 11 GOODWILL AND INTANGIBLE ASSETS

	FINITE LIFE		INDEFINITE LIFE		TOTAL INTANGIBLE ASSETS	GOODWILL
	SOFTWARE	DISTRIBUTION AND OTHER MANAGEMENT CONTRACTS	MUTUAL FUND MANAGEMENT CONTRACTS	TRADE NAMES		
2019						
Cost	\$ 256,365	\$ 147,248	\$ 740,559	\$ 285,177	\$ 1,429,349	\$ 2,660,267
Less: accumulated amortization	(117,866)	(81,356)	-	-	(199,222)	-
	\$ 138,499	\$ 65,892	\$ 740,559	\$ 285,177	\$ 1,230,127	\$ 2,660,267
Changes in goodwill and intangible assets:						
Balance, beginning of year	\$ 116,697	\$ 48,635	\$ 740,559	\$ 285,177	\$ 1,191,068	\$ 2,660,267
Additions	44,421	25,457	-	-	69,878	-
Disposals	-	(1,726)	-	-	(1,726)	-
Amortization	(22,619)	(6,474)	-	-	(29,093)	-
Balance, end of year	\$ 138,499	\$ 65,892	\$ 740,559	\$ 285,177	\$ 1,230,127	\$ 2,660,267
2018						
Cost	\$ 212,006	\$ 125,630	\$ 740,559	\$ 285,177	\$ 1,363,372	\$ 2,660,267
Less: accumulated amortization	(95,309)	(76,995)	-	-	(172,304)	-
	\$ 116,697	\$ 48,635	\$ 740,559	\$ 285,177	\$ 1,191,068	\$ 2,660,267
Changes in goodwill and intangible assets:						
Balance, beginning of year	\$ 119,019	\$ 39,696	\$ 740,559	\$ 285,177	\$ 1,184,451	\$ 2,660,267
Additions	18,940	16,366	-	-	35,306	-
Disposals	(216)	(1,877)	-	-	(2,093)	-
Amortization	(21,046)	(5,550)	-	-	(26,596)	-
Balance, end of year	\$ 116,697	\$ 48,635	\$ 740,559	\$ 285,177	\$ 1,191,068	\$ 2,660,267

The goodwill and indefinite life intangible assets consisting of investment fund management contracts and trade names are allocated to each cash generating unit (CGU) as summarized in the following table:

	2019		2018	
	GOODWILL	INDEFINITE LIFE INTANGIBLE ASSETS	GOODWILL	INDEFINITE LIFE INTANGIBLE ASSETS
IG Wealth Management	\$ 1,347,781	\$ -	\$ 1,347,781	\$ -
Mackenzie	1,168,580	1,002,681	1,168,580	1,002,681
Other	143,906	23,055	143,906	23,055
Total	\$ 2,660,267	\$ 1,025,736	\$ 2,660,267	\$ 1,025,736

NOTE 11 GOODWILL AND INTANGIBLE ASSETS *(continued)*

The Company tests whether goodwill and indefinite life intangible assets are impaired by assessing the carrying amounts with the recoverable amounts. The recoverable amount of the Company's CGUs is based on the best available evidence of fair value less costs of disposal. Fair value is initially assessed with reference to valuation multiples of comparable publicly-traded financial institutions and precedent business acquisition transactions. These valuation multiples may include price-to-earnings or other conventionally used measures for investment managers or other financial service providers (multiples of value to assets under management, revenues, or other measures of profitability). This assessment may give regard to a variety of relevant considerations, including expected growth, risk and capital market conditions, among other factors. The valuation multiples used in assessing fair value represent Level 2 fair value inputs.

The fair value less costs of disposal of the Company's CGUs was compared with the carrying amount and it was determined there was no impairment. Changes in assumptions and estimates used in determining the recoverable amounts of CGUs can result in significant adjustments to the valuation of the CGUs.

NOTE 12 DEPOSITS AND CERTIFICATES

Deposits and certificates are classified as other financial liabilities measured at amortized cost.

Included in the assets of the Consolidated Balance Sheets are cash and cash equivalents, client funds on deposit and loans amounting to \$584.3 million (2018 - \$568.8 million) related to deposits and certificates.

	DEMAND	TERM TO MATURITY			2019 TOTAL	2018 TOTAL
		1 YEAR OR LESS	1-5 YEARS	OVER 5 YEARS		
Deposits	\$ 572,974	\$ 5,546	\$ 3,607	\$ 255	\$ 582,382	\$ 566,605
Certificates	-	454	630	865	1,949	2,194
	\$ 572,974	\$ 6,000	\$ 4,237	\$ 1,120	\$ 584,331	\$ 568,799

NOTE 13 OTHER LIABILITIES

	2019	2018
Dividends payable	\$ 134,040	\$ 137,710
Interest payable	30,127	27,527
Accrued benefit liabilities <i>(Note 14)</i>	207,441	189,113
Provisions	20,513	50,768
Other	49,781	39,055
	\$ 441,902	\$ 444,173

The Company establishes restructuring provisions related to business acquisitions, divestitures and other items, as well as other provisions in the normal course of its operations. Changes in provisions during 2019 consisted of additional estimates of \$2.2 million, provision reversals of \$3.3 million and payments of \$29.2 million.

Total other liabilities of \$221.5 million as at December 31, 2019 (2018 - \$238.5 million) are expected to be settled within one year.

NOTE 14 EMPLOYEE BENEFITS

DEFINED BENEFIT PLANS

The Company maintains a number of employee pension and post-employment benefit plans. These plans include a funded registered defined benefit pension plan for all eligible employees, unfunded supplementary executive retirement plans (SERPs) for certain executive officers, and an unfunded post-employment health care, dental and life insurance plan for eligible retirees.

Effective July 1, 2012, the defined benefit pension plan was closed to new members. For all eligible employees hired after July 1, 2012, the Company has a registered defined contribution pension plan.

The defined benefit pension plan is a separate trust that is legally separated from the Company. The defined benefit pension plan is registered under the Pension Benefits Act of Manitoba (Act) and the Income Tax Act (ITA). As required by the Act, the defined benefit pension plan is governed by a pension committee which includes current and retired employees. The Pension Committee has certain responsibilities as described in the Act but may delegate certain activities to the Company. The ITA governs the employer's ability to make contributions and also has parameters that the plan must meet with respect to investments in foreign property.

The defined benefit pension plan provides lifetime pension benefits to all eligible employees based on length of service and final average earnings subject to limits established by the ITA. Death benefits are available on the death of an active member or a retired member.

Employees who are not senior officers are required to make annual contributions based on a percentage of salaries which are subject to a maximum amount.

The actuarial valuation for funding purposes related to the Company's registered defined benefit pension plan, based on a measurement date of December 31, 2017, was completed in May 2018. The valuation determines the plan surplus or deficit on both a solvency and going concern basis. The solvency basis determines the relationship between the plan assets and its liabilities assuming that the plan is wound up and settled on the valuation date. A going concern valuation compares the relationship between the plan assets and the present value of the expected future benefit cash flows, assuming the plan will be maintained indefinitely. Based on the actuarial valuation, the registered pension plan had a solvency deficit of \$47.2 million compared to \$82.7 million in the previous actuarial valuation, which was based on a measurement date of December 31, 2016. The decrease in the solvency deficit resulted primarily from higher assets due to contribution and investment returns, and is required to be funded over five years. The registered pension plan had a going concern surplus of \$46.1 million compared to \$24.4 million in the previous valuation. The next required actuarial valuation will be based on a measurement date of December 31, 2020. During 2019, the Company made contributions of \$26.4 million (2018 - \$40.4 million). The Company utilized \$10.5 million of the payments made during 2018 to reduce its solvency deficit and increase its going concern surplus. The Company expects to make contributions of approximately \$26.1 million in 2020. Pension contribution decisions are subject to change, as contributions are affected by many factors including market performance, regulatory requirements, changes in assumptions and management's ability to change funding policy.

The SERPs are non-registered, non-contributory defined benefit plans which provide supplementary benefits to certain retired executives.

The other post-employment benefit plan is a non-contributory plan and provides eligible employees a reimbursement of medical costs or a fixed amount per year to cover medical costs during retirement.

The SERPs and other post-employment benefit plans are managed by the Company with oversight from the Board of Directors.

The defined benefit plans expose the Company to actuarial risks such as mortality risk which represents life expectancy and impacts the calculation of the obligations; interest rate risk which impacts the discount rate used to calculate the obligations and the actual return on plan assets; salary risk as estimated salary increases are used in the calculation of the obligations; and investment risk as the nature of the investments impact the actual return on the plan assets. The risks are managed by regular monitoring of the plans, applicable regulations and other factors that could impact the Company's expenses and cash flows.

NOTE 14 EMPLOYEE BENEFITS (continued)

DEFINED BENEFIT PLANS (continued)

Plan assets, benefit obligations and funded status:

	2019			2018		
	DEFINED BENEFIT PENSION PLAN	SERPS	OTHER POST-EMPLOYMENT BENEFITS	DEFINED BENEFIT PENSION PLAN	SERPS	OTHER POST-EMPLOYMENT BENEFITS
Fair value of plan assets						
Balance, beginning of year	\$ 407,428	\$ -	\$ -	\$ 417,687	\$ -	\$ -
Employee contributions	2,316	-	-	2,464	-	-
Employer contributions	26,368	-	-	40,438	-	-
Benefits paid	(32,014)	-	-	(35,411)	-	-
Interest income	16,065	-	-	15,246	-	-
Remeasurements:						
- Return on plan assets	46,384	-	-	(32,996)	-	-
Balance, end of year	466,547	-	-	407,428	-	-
Accrued benefit obligation						
Balance, beginning of year	496,715	62,084	37,742	493,610	63,134	45,405
Benefits paid	(32,014)	(3,308)	(2,266)	(35,411)	(2,873)	(2,373)
Current service cost	18,540	1,462	539	20,293	1,400	918
Curtailement (gain) loss	-	-	-	(776)	-	36
Employee contributions	2,316	-	-	2,464	-	-
Interest expense	19,048	2,265	1,337	17,403	2,153	1,521
Remeasurements:						
Actuarial losses (gains)						
- Demographic assumption	-	-	-	17,397	-	(5,708)
- Experience adjustments	(970)	1,934	(648)	(3,098)	(12)	(787)
- Financial assumptions	61,971	4,798	2,443	(15,167)	(1,718)	(1,270)
Balance, end of year	565,606	69,235	39,147	496,715	62,084	37,742
Accrued benefit liability	\$ 99,059	\$ 69,235	\$ 39,147	\$ 89,287	\$ 62,084	\$ 37,742

Significant actuarial assumptions used to calculate the defined benefit obligation:

	2019			2018		
	DEFINED BENEFIT PENSION PLAN	SERPS	OTHER POST-EMPLOYMENT BENEFITS	DEFINED BENEFIT PENSION PLAN	SERPS	OTHER POST-EMPLOYMENT BENEFITS
Discount rate	3.20%	2.95%-3.10%	3.05%	3.90%	3.55%-3.80%	3.70%
Rate of compensation increase	3.90%	3.75%	N/A	4.30%	3.75%	N/A
Health care cost trend rate ⁽¹⁾	N/A	N/A	4.00%	N/A	N/A	5.78%
Mortality rates at age 65 for current pensioners	23.6 years	23.6 years	23.6 years	23.6 years	23.6 years	23.6 years

(1) Trending to 4.00% in 2044 and remaining at that rate thereafter.

NOTE 14 EMPLOYEE BENEFITS (continued)

DEFINED BENEFIT PLANS (continued)

The weighted average duration of the pension plan's defined benefit obligation at the end of the reporting period is 19.1 years (2018 - 18.3 years).

Benefit expense:

	2019			2018		
	DEFINED BENEFIT PENSION PLAN	SERPS	OTHER POST-EMPLOYMENT BENEFITS	DEFINED BENEFIT PENSION PLAN	SERPS	OTHER POST-EMPLOYMENT BENEFITS
Current service cost	\$ 18,540	\$ 1,462	\$ 539	\$ 20,293	\$ 1,400	\$ 918
Curtailment (gain) loss	-	-	-	(776)	-	36
Net interest cost	2,983	2,265	1,337	2,157	2,153	1,521
	\$ 21,523	\$ 3,727	\$ 1,876	\$ 21,674	\$ 3,553	\$ 2,475

Sensitivity analysis:

The calculation of the accrued benefit liability and the related benefit expense are sensitive to the significant actuarial assumptions. The following table presents the sensitivity analysis:

	2019		2018	
	INCREASE (DECREASE) IN LIABILITY	INCREASE (DECREASE) IN EXPENSE	INCREASE (DECREASE) IN LIABILITY	INCREASE (DECREASE) IN EXPENSE
Defined benefit pension plan				
Discount rate (+ / - 0.25%)				
Increase	\$ (25,523)	\$ (1,782)	\$ (21,322)	\$ (1,719)
Decrease	27,313	1,815	22,784	1,743
Rate of compensation (+ / - 0.25%)				
Increase	9,676	812	7,245	720
Decrease	(9,555)	(806)	(7,198)	(707)
Mortality				
Increase 1 year	12,476	686	9,725	705
SERPs				
Discount rate (+ / - 0.25%)				
Increase	(1,825)	52	(1,640)	52
Decrease	1,908	(56)	1,713	(57)
Rate of compensation (+ / - 0.25%)				
Increase	79	23	75	22
Decrease	(78)	(22)	(74)	(24)
Mortality				
Increase 1 year	1,681	58	1,418	57
Other post-employment benefits				
Discount rate (+ / - 0.25%)				
Increase	(982)	43	(902)	36
Decrease	1,028	(46)	940	(39)
Health care cost trend rates (+ / - 1.00%)				
Increase	1,372	39	1,180	44
Decrease	(1,183)	(35)	(1,027)	(38)
Mortality				
Increase 1 year	1,180	44	987	45

NOTE 14 EMPLOYEE BENEFITS *(continued)*

DEFINED BENEFIT PLANS *(continued)*

The sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur as changes in certain assumptions may be correlated.

Asset allocation of defined benefit pension plan by asset category:

	2019	2018
Equity securities	59.2 %	56.4 %
Fixed income securities	30.3	32.5
Alternative strategies	9.4	9.9
Cash and cash equivalents	1.1	1.2
	100.0 %	100.0 %

The defined benefit pension plan adheres to its Statement of Investment Policies and Procedures which includes investment objectives, asset allocation guidelines and investment limits by asset class. The defined benefit pension plan assets are invested in proprietary investment funds with the exception of cash on deposit with Schedule I Canadian chartered banks.

DEFINED CONTRIBUTION PENSION PLANS

The Company maintains a number of defined contribution pension plans for eligible employees. The total expense recorded in Non-commission expense was \$5.5 million (2018 - \$4.8 million).

GROUP RETIREMENT SAVINGS PLAN (RSP)

The Company maintains a group RSP for eligible employees. The Company's contributions are recorded in Non-commission expense as paid and totalled \$6.9 million (2018 - \$6.7 million).

NOTE 15 INCOME TAXES

Income tax expense:

	2019	2018
Income taxes recognized in net earnings		
Current taxes		
Tax on current year's earnings	\$ 200,736	\$ 223,924
Adjustments in respect of prior years	513	(9,317)
	201,249	214,607
Deferred taxes	18,470	(4,688)
	\$ 219,719	\$ 209,919

Effective income tax rate:

	2019	2018
Income taxes at Canadian federal and provincial statutory rates	26.77 %	26.81 %
Effect of:		
Proportionate share of associates' earnings <i>(Note 8)</i>	(3.31)	(3.79)
Proportionate share of associate's one-time charges <i>(Note 8)</i>	0.48	-
Tax loss consolidation <i>(Note 26)</i>	(1.41)	(1.40)
Other items	0.15	(0.33)
Effective income tax rate	22.68 %	21.29 %

NOTE 15 INCOME TAXES (continued)

DEFERRED INCOME TAXES

Sources of deferred income taxes:

	2019	2018
Deferred income tax assets		
Accrued benefit liabilities	\$ 55,994	\$ 51,025
Loss carryforwards	33,700	33,165
Other	38,483	38,726
	128,177	122,916
Deferred income tax liabilities		
Capitalized sales commissions (Note 2)	40,006	28,254
Intangible assets	268,734	265,343
Other	47,969	49,431
	356,709	343,028
	\$ 228,532	\$ 220,112

Deferred income tax assets and liabilities are presented on the Consolidated Balance Sheets as follows:

	2019	2018
Deferred income tax assets	\$ 76,517	\$ 75,607
Deferred income tax liabilities	305,049	295,719
	\$ 228,532	\$ 220,112

As at December 31, 2019, the Company had non-capital losses of \$10.0 million (2018 - \$4.6 million) available to reduce future taxable income, the benefit of which had not been recognized. \$9.2 million of the losses can be carried forward indefinitely and the remainder expire on December 31, 2037.

NOTE 16 LONG-TERM DEBT

MATURITY	RATE	2019	2018
January 26, 2027	3.44%	400,000	400,000
December 13, 2027	6.65%	125,000	125,000
May 9, 2031	7.45%	150,000	150,000
December 31, 2032	7.00%	175,000	175,000
March 7, 2033	7.11%	150,000	150,000
December 10, 2040	6.00%	200,000	200,000
January 25, 2047	4.56%	200,000	200,000
December 9, 2047	4.115%	250,000	250,000
July 13, 2048	4.174%	200,000	200,000
March 21, 2050	4.206%	250,000	-
		\$ 2,100,000	\$ 1,850,000

NOTE 16 LONG-TERM DEBT *(continued)*

Long-term debt consists of unsecured debentures which are redeemable by the Company, in whole or in part, at any time, at the greater of par and a formula price based upon yields at the time of redemption.

Long-term debt is classified as other financial liabilities and is recorded at amortized cost.

Interest expense relating to long-term debt was \$104.3 million (2018 - \$120.9 million).

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.

On March 7, 2018, the \$150.0 million 6.58% debentures were due and were repaid.

On July 11, 2018, the Company issued \$200.0 million of 4.174% debentures maturing July 13, 2048. On August 10, 2018, the net proceeds were used by the Company, together with a portion of IGM Financial's existing internal cash resources, to fund the early redemption of all of its \$375 million aggregate principal amount of 7.35% debentures due April 8, 2019. A premium of \$10.7 million was paid on the early redemption of the 7.35% debentures and is included in interest expense in the Consolidated Statements of Earnings.

NOTE 17 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

	2019		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 year	240,885,317	\$ 1,611,263	240,666,131	\$ 1,602,726
Issued under Stock Option Plan <i>(Note 19)</i>	171,561	5,111	219,186	8,537
Purchased for cancellation	(2,762,788)	(18,514)	-	-
Balance, end of year	238,294,090	\$ 1,597,860	240,885,317	\$ 1,611,263

PERPETUAL PREFERRED SHARES

The Company redeemed the First preferred shares, Series B for \$150.0 million 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 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 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.

NOTE 17 SHARE CAPITAL *(continued)*

NORMAL COURSE ISSUER BID *(continued)*

In 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 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 18 CAPITAL MANAGEMENT

The Company's capital management objective is to maximize shareholder returns while ensuring that the Company is capitalized in a manner which appropriately supports regulatory capital requirements, working capital needs and business expansion. The Company's capital management practices are focused on preserving the quality of its financial position by maintaining a solid capital base and a strong balance sheet. Capital of the Company consists of long-term debt and common shareholders' equity. At December 31, 2018, Capital also included perpetual preferred shares which were redeemed in April 2019. The Company regularly assesses its capital management practices in response to changing economic conditions.

The Company's capital is primarily utilized in its ongoing business operations to support working capital requirements, long-term investments made by the Company, business expansion and other strategic objectives. Subsidiaries subject to regulatory capital requirements include investment dealers, mutual fund dealers, exempt market dealers, portfolio managers, investment fund managers and a trust company. These subsidiaries are required to maintain minimum levels of capital based on either working capital, liquidity or shareholders' equity. The Company's subsidiaries have complied with all regulatory capital requirements.

The total outstanding long-term debt was \$2,100.0 million at December 31, 2019, compared to \$1,850.0 million at December 31, 2018. Long-term debt is comprised of debentures which are senior unsecured debt obligations of the Company subject to standard covenants, including negative pledges, but which do not include any specified financial or operational covenants. The net increase in long-term debt resulted from the issuance on March 20, 2019 of \$250.0 million 4.206% debentures maturing March 21, 2050.

The net proceeds from the issuance of the debenture was used by the Company in part to fund the redemption of \$150 million 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.

The Company purchased 2,762,788 common shares during the year ended December 31, 2019 at a cost of \$100.0 million under its normal course issuer bid (Note 17). Other activities in 2019 included the declaration of perpetual preferred share dividends of \$2.2 million or \$0.36875 per share and common share dividends of \$537.6 million or \$2.25 per share. Changes in common share capital are reflected in the Consolidated Statements of Changes in Shareholders' Equity.

NOTE 19 SHARE-BASED PAYMENTS

STOCK OPTION PLAN

Under the terms of the Company's Stock Option Plan (Plan), options to purchase common shares are periodically granted to employees at prices not less than the weighted average trading price per common share on the Toronto Stock Exchange for the five trading days preceding the date of the grant. The options are subject to time vesting conditions set out at the grant date. 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. At December 31, 2019, 20,415,351 (2018 - 20,586,912) common shares were reserved for issuance under the Plan.

NOTE 19 SHARE-BASED PAYMENTS *(continued)*

STOCK OPTION PLAN *(continued)*

During 2019, the Company granted 1,511,540 options to employees (2018 - 1,336,990). The weighted-average fair value of options granted during the year ended December 31, 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 (2018 - \$39.10). The assumptions used in these valuation models include:

	2019	2018
Exercise price	\$ 34.34	\$ 39.28
Risk-free interest rate	2.07%	2.35%
Expected option life	7 years	6 years
Expected volatility	18.00%	17.00%
Expected dividend yield	6.55%	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. Stock options were exercised regularly throughout 2019 and the average share price in 2019 was \$36.22.

The Company recorded compensation expense related to its stock option program of \$3.4 million (2018 - \$3.7 million).

	2019		2018	
	NUMBER OF OPTIONS	WEIGHTED- AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED- AVERAGE EXERCISE PRICE
Balance, beginning of year	9,701,894	\$ 42.27	8,912,748	\$ 42.59
Granted	1,511,540	34.34	1,336,990	39.28
Exercised	(171,561)	28.25	(219,186)	35.37
Forfeited	(512,513)	45.20	(328,658)	43.53
Balance, end of year	10,529,360	\$ 41.22	9,701,894	\$ 42.27
Exercisable, end of year	5,470,178	\$ 43.99	4,742,050	\$ 44.28

OPTIONS OUTSTANDING AT DECEMBER 31, 2019	EXPIRY DATE	EXERCISE PRICE \$	OPTIONS OUTSTANDING	OPTIONS EXERCISABLE
	2020	40.45 - 42.82	559,351	559,351
	2021	42.49 - 46.72	426,531	426,531
	2022	45.56 - 47.23	659,948	659,948
	2023	44.73 - 47.26	999,590	887,348
	2024	53.81	763,700	683,950
	2025	43.28 - 43.97	1,090,690	725,413
	2026	34.88 - 38.17	1,939,899	833,563
	2027	39.71 - 41.74	1,292,707	428,035
	2028	37.58 - 40.10	1,319,699	266,039
	2029	34.29 - 36.91	1,477,245	-
			10,529,360	5,470,178

SHARE UNIT PLANS

The Company has share unit plans for eligible employees to assist in retaining and further aligning the interests of senior management with those of the shareholders. These plans include Performance Share Unit (PSU), Deferred Share Unit (DSU) and Restricted Share Unit (RSU) plans. Under the terms of the plans, share units are awarded annually and are subject to time vesting conditions. In addition, the PSU and DSU plans are subject to performance vesting conditions. The value of each share unit is based on the share price of the Company's common shares. The PSUs and RSUs are cash settled and vest over a three year period. Certain employees can elect at the time of grant to receive a portion of their PSUs in the form of deferred share units which vest over a three year period. Deferred share units are redeemable when a participant is no longer an employee of the Company or any of its affiliates by a lump sum payment

NOTE 19 SHARE-BASED PAYMENTS *(continued)*

SHARE UNIT PLANS *(continued)*

based on the value of the deferred share unit at that time. Additional share units are issued in respect of dividends payable on common shares based on a value of the share unit at the dividend payment date. The Company recorded compensation expense, excluding the impact of hedging, of \$17.0 million in 2019 (2018 - \$6.8 million) and a liability of \$26.5 million at December 31, 2019 (2018 - \$20.4 million).

SHARE PURCHASE PLANS

Under the Company's share purchase plans, eligible employees and IG Wealth Management consultants can elect each year to have a percentage of their annual earnings withheld, subject to a maximum, to purchase the Company's common shares. The Company matches 50% of the contribution amounts. All contributions are used by the plan trustee to purchase common shares in the open market. Shares purchased with Company contributions vest after a maximum period of 3 years following the date of purchase. The Company's contributions are recorded in Non-commission expense as paid and totalled \$10.0 million (2018 - \$12.4 million).

DIRECTORS' DEFERRED SHARE UNIT PLAN

The Company has a Deferred Share Unit (DSU) plan for the directors of the Company to promote a greater alignment of interests between directors and shareholders of the Company. Under the terms of the plan, directors are required to receive 50% of their annual board retainer in the form of DSUs and may elect to receive the balance of their annual board retainer in cash or DSUs. Directors may elect to receive certain fees in a combination of DSUs and cash. The number of DSUs granted is determined by dividing the amount of remuneration payable by the average closing price on the Toronto Stock Exchange of the common shares of the Company on the last five days of the fiscal quarter (value of DSU). A director who has elected to receive DSUs will receive additional DSUs in respect of dividends payable on common shares, based on the value of a DSU at the dividend payment date. DSUs are redeemable when a participant is no longer a director, officer or employee of the Company or any of its affiliates by cash payments, based on the value of the DSUs at that time. At December 31, 2019, the fair value of the DSUs outstanding was \$18.6 million (2018 - \$13.4 million). Any difference between the change in fair value of the DSUs and the change in fair value of the total return swap, which is an economic hedge for the DSU plan, is recognized in Non-commission expense in the period in which the change occurs.

NOTE 20 ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	EMPLOYEE BENEFITS	OTHER INVESTMENTS	INVESTMENT IN ASSOCIATES AND OTHER	TOTAL
2019				
Balance, beginning of year	\$ (149,052)	\$ 57,234	\$ 46,020	\$ (45,798)
Other comprehensive income (loss)	(16,895)	10,597	(54,138)	(60,436)
Transfer out of FVTOCI	-	(21,468)	-	(21,468)
Balance, end of year	\$ (165,947)	\$ 46,363	\$ (8,118)	\$ (127,702)
2018				
Balance, beginning of year	\$ (132,529)	\$ 39,068	\$ 22,348	\$ (71,113)
Other comprehensive income (loss)	(16,523)	18,166	23,672	25,315
Balance, end of year	\$ (149,052)	\$ 57,234	\$ 46,020	\$ (45,798)

Amounts are recorded net of tax.

NOTE 21 RISK MANAGEMENT

The Company actively manages its liquidity, credit and market risks.

LIQUIDITY AND FUNDING RISK RELATED TO FINANCIAL INSTRUMENTS

Liquidity and funding risk is the risk of the inability to generate or obtain sufficient cash in a timely and cost-effective manner to meet contractual or anticipated commitments as they come due or arise.

The Company's liquidity management practices include:

- Maintaining liquid assets and lines of credit to satisfy near term liquidity needs.
- Ensuring effective controls over liquidity management processes.
- Performing regular cash forecasts and stress testing.
- Regular assessment of capital market conditions and the Company's ability to access bank and capital market funding.
- Ongoing efforts to diversify and expand long-term mortgage funding sources.
- Oversight of liquidity by management and by the Financial Risk Management Committee, a committee of finance and other business leaders.

A key funding requirement for the Company is the funding of Consultant network compensation paid for the distribution of financial products and services. This compensation continues to be paid from operating cash flows.

The Company also maintains sufficient liquidity to fund and temporarily hold mortgages pending sale or securitization to long-term funding sources and to manage any derivative collateral requirements related to the mortgage banking operation. Through its mortgage banking operations, residential mortgages are sold to third parties including certain mutual funds, institutional investors through private placements, Canadian bank-sponsored securitization trusts, and by issuance and sale of National Housing Act Mortgage Backed Securities (NHA MBS) securities including sales to Canada Housing Trust under the Canada Mortgage Bond Program (CMB Program).

Certain subsidiaries of the Company are approved issuers of NHA MBS and are approved sellers into the CMB Program. Capacity for sales under the CMB Program consists of participation in new CMB issues and reinvestment of principal repayments held in the Principal Reinvestment Accounts.

The Company maintains committed capacity within certain Canadian bank-sponsored securitization trusts.

The Company's contractual maturities of certain financial liabilities were as follows:

AS AT DECEMBER 31, 2019 (\$ millions)	DEMAND	LESS THAN 1 YEAR	1 - 5 YEARS	AFTER 5 YEARS	TOTAL
Derivative financial instruments	\$ -	\$ 6.9	\$ 10.1	\$ 0.2	\$ 17.2
Deposits and certificates	573.0	6.0	4.2	1.1	584.3
Obligations to securitization entities	-	1,473.6	5,431.5	8.5	6,913.6
Leases ⁽¹⁾	-	26.2	54.7	23.5	104.4
Long-term debt	-	-	-	2,100.0	2,100.0
Pension funding ⁽²⁾	-	26.1	-	-	26.1
Total contractual maturities	\$ 573.0	\$ 1,538.8	\$ 5,500.5	\$ 2,133.3	\$ 9,745.6

(1) Includes remaining lease payments related to office space and equipment used in the normal course of business.

(2) The next required actuarial valuation will be completed based on a measurement date of December 31, 2020. Pension funding requirements beyond 2020 are subject to significant variability and will be determined based on future actuarial valuations. Pension contribution decisions are subject to change, as contributions are affected by many factors including market performance, regulatory requirements, changes in assumptions and management's ability to change funding policy.

NOTE 21 RISK MANAGEMENT *(continued)*

LIQUIDITY AND FUNDING RISK RELATED TO FINANCIAL INSTRUMENTS *(continued)*

In addition to the Company's current balance of cash and cash equivalents, liquidity is available through the Company's lines of credit. The Company's lines of credit with various Schedule I Canadian chartered banks totalled \$825 million at December 31, 2019, unchanged from December 31, 2018. The lines of credit at December 31, 2019 consisted of committed lines of \$650 million and uncommitted lines of \$175 million, unchanged from December 31, 2018. The Company has accessed its uncommitted lines of credit in the past; however, any advances made by a bank under the uncommitted lines of credit are at the bank's sole discretion. As at December 31, 2019 and December 31, 2018, the Company was not utilizing its committed lines of credit or its uncommitted lines of credit.

The Company's liquidity position and its management of liquidity and funding risk have not changed materially since December 31, 2018.

CREDIT RISK RELATED TO FINANCIAL INSTRUMENTS

Credit risk is the potential for financial loss to the Company if a counterparty to a transaction fails to meet its obligations. The Company's cash and cash equivalents, other investment holdings, mortgage portfolios, and derivatives are subject to credit risk. The Company monitors its credit risk management practices on an ongoing basis to evaluate their effectiveness.

At December 31, 2019, cash and cash equivalents of \$720.0 million (2018 - \$650.2 million) consisted of cash balances of \$68.0 million (2018 - \$81.8 million) on deposit with Canadian chartered banks and cash equivalents of \$652.0 million (2018 - \$568.4 million). Cash equivalents are comprised of Government of Canada treasury bills totalling \$34.5 million (2018 - \$103.5 million), provincial government treasury bills and promissory notes of \$206.5 million (2018 - \$76.2 million), bankers' acceptances and other short-term notes issued by Canadian chartered banks of \$411.0 million (2018 - \$364.3 million). Also included in 2018 were highly rated corporate commercial paper of \$24.4 million. The Company manages credit risk related to cash and cash equivalents by adhering to its Investment Policy that outlines credit risk parameters and concentration limits. The Company regularly reviews the credit ratings of its counterparties. The maximum exposure to credit risk on these financial instruments is their carrying value.

As at December 31, 2019, residential mortgages, recorded on the Company's balance sheet, of \$7.2 billion (2018 - \$7.7 billion) consisted of \$6.8 billion sold to securitization programs (2018 - \$7.3 billion), \$344.5 million held pending sale or securitization (2018 - \$363.9 million) and \$24.2 million related to the Company's intermediary operations (2018 - \$25.6 million).

The Company manages credit risk related to residential mortgages through:

- Adhering to its lending policy and underwriting standards;
- Its loan servicing capabilities;
- Use of client-insured mortgage default insurance and mortgage portfolio default insurance held by the Company; and
- Its practice of originating its mortgages exclusively through its own network of Mortgage Planning Specialists and IG Wealth Management Consultants as part of a client's IG Living Plan™.

In certain instances, credit risk is also limited by the terms and nature of securitization transactions as described below:

- Under the NHA MBS program totalling \$3.9 billion (2018 - \$4.2 billion), the Company is obligated to make timely payment of principal and coupons irrespective of whether such payments were received from the mortgage borrower. However, as required by the NHA MBS program, 100% of the loans are insured by an approved insurer.
- Credit risk for mortgages securitized by transfer to bank-sponsored securitization trusts totalling \$2.9 billion (2018 - \$3.1 billion) is limited to amounts held in cash reserve accounts and future net interest income, the fair values of which were \$71.9 million (2018 - \$74.1 million) and \$37.9 million (2018 - \$35.6 million), respectively, at December 31, 2019. Cash reserve accounts are reflected on the balance sheet, whereas rights to future net interest income are not reflected on the balance sheet and will be recorded over the life of the mortgages. This risk is further mitigated by insurance with 4.6% of mortgages held in ABCP Trusts insured at December 31, 2019 (2018 - 8.3%).

NOTE 21 RISK MANAGEMENT *(continued)*

CREDIT RISK RELATED TO FINANCIAL INSTRUMENTS *(continued)*

At December 31, 2019, residential mortgages recorded on balance sheet were 59.1% insured (2018 - 61.5%). As at December 31, 2019, impaired mortgages on these portfolios were \$2.4 million, compared to \$3.3 million at December 31, 2018. Uninsured non-performing mortgages over 90 days on these portfolios were \$1.6 million at December 31, 2019, compared to \$1.8 million at December 31, 2018.

The Company also retains certain elements of credit risk on mortgage loans sold to the Investors Mortgage and Short Term Income Fund and to the Investors Canadian Corporate Bond Fund through an agreement to repurchase mortgages in certain circumstances benefiting the funds. These loans are not recorded on the Company's balance sheet as the Company has transferred substantially all of the risks and rewards of ownership associated with these loans.

The Company regularly reviews the credit quality of the mortgages and the adequacy of the allowance for expected credit losses.

The Company's allowance for expected credit losses was \$0.7 million at December 31, 2019, compared to \$0.8 million at December 31, 2018, and is considered adequate by management to absorb all credit-related losses in the mortgage portfolios based on: i) historical credit performance experience and recent trends, ii) current portfolio credit metrics and other relevant characteristics, and iii) regular stress testing of losses under adverse real estate market conditions.

The Company's exposure to and management of credit risk related to cash and cash equivalents, fixed income securities and mortgage portfolios have not changed materially since December 31, 2018.

The Company is exposed to credit risk through derivative contracts it utilizes to hedge interest rate risk, to facilitate securitization transactions and to hedge market risk related to certain stock-based compensation arrangements. These derivatives are discussed more fully under the Market Risk section.

To the extent that the fair value of the derivatives is in a gain position, the Company is exposed to credit risk that its counterparties fail to fulfil their obligations under these arrangements.

The Company's derivative activities are managed in accordance with its Investment Policy which includes counterparty limits and other parameters to manage counterparty risk. The aggregate credit risk exposure related to derivatives that are in a gain position of \$15.7 million (2018 - \$19.4 million) does not give effect to any netting agreements or collateral arrangements. The exposure to credit risk, considering netting agreements and collateral arrangements and including rights to future net interest income, was \$0.7 million at December 31, 2019 (2018 - nil). Counterparties are all Canadian Schedule I chartered banks and, as a result, management has determined that the Company's overall credit risk related to derivatives was not significant at December 31, 2019. Management of credit risk related to derivatives has not changed materially since December 31, 2018.

MARKET RISK RELATED TO FINANCIAL INSTRUMENTS

Market risk is the potential for loss to the Company from changes in the values of its financial instruments due to changes in foreign exchange rates, interest rates or equity prices.

Interest Rate Risk

The Company is exposed to interest rate risk on its loan portfolio and on certain of the derivative financial instruments used in the Company's mortgage banking operations.

The Company manages interest rate risk associated with its mortgage banking operations by entering into interest rate swaps with Canadian Schedule I chartered banks as follows:

- The Company has in certain instances funded floating rate mortgages with fixed rate Canada Mortgage Bonds as part of the securitization transactions under the CMB Program. As previously discussed, as part of the CMB Program, the Company is party to a swap whereby it is entitled to receive investment returns on reinvested mortgage principal and is obligated to pay Canada Mortgage Bond coupons. This swap had a negative fair value of \$0.9 million (2018 - positive \$4.9 million) and an outstanding notional amount of \$0.8 billion at December 31, 2019 (2018 - \$0.9 billion). The Company enters into interest rate swaps with Canadian Schedule I chartered banks to hedge the risk that the interest rates earned on floating rate mortgages and reinvestment returns decline. The

NOTE 21 RISK MANAGEMENT *(continued)*

MARKET RISK RELATED TO FINANCIAL INSTRUMENTS *(continued)*

Interest Rate Risk *(continued)*

fair value of these swaps totalled negative \$4.9 million (2018 – negative \$11.0 million), on an outstanding notional amount of \$1.6 billion at December 31, 2019 (2018 – \$1.7 billion). The net fair value of these swaps of negative \$5.8 million at December 31, 2019 (2018 – negative \$6.1 million) is recorded on the balance sheet and has an outstanding notional amount of \$2.4 billion (2018 – \$2.6 billion).

- The Company is exposed to the impact that changes in interest rates may have on the value of mortgages committed to or held pending sale or securitization to long-term funding sources. The Company enters into interest rate swaps to hedge the interest rate risk related to funding costs for mortgages held by the Company pending sale or securitization. Beginning in 2018, hedge accounting is applied to the cost of funds on certain securitization activities. The effective portion of fair value changes of the associated interest rate swaps are initially recognized in Other comprehensive income and subsequently recognized in Net investment income and other over the term of the related Obligations to securitization entities. The fair value of these swaps was \$0.6 million (2018 – negative \$1.8 million) on an outstanding notional amount of \$180.4 million at December 31, 2019 (2018 – \$249.9 million).

As at December 31, 2019, the impact to annual net earnings of a 100 basis point increase in interest rates would have been a decrease of approximately \$2.0 million (2018 – decrease of \$0.5 million). The Company's exposure to and management of interest rate risk have not changed materially since December 31, 2018.

Equity Price Risk

The Company is exposed to equity price risk on its equity investments (Note 4) which are classified as either fair value through other comprehensive income or fair value through profit or loss. The fair value of the equity investments was \$357.4 million at December 31, 2019 (2018 – \$459.9 million).

The Company sponsors a number of deferred compensation arrangements for employees where payments to participants are deferred and linked to the performance of the common shares of IGM Financial Inc. The Company hedges its exposure to this risk through the use of forward agreements and total return swaps.

Foreign Exchange Risk

The Company is exposed to foreign exchange risk on its investments in Personal Capital and China AMC. Changes to the carrying value due to changes in foreign exchange rates on these investments are recognized in Other comprehensive income. A 5% appreciation (depreciation) in Canadian currency relative to foreign currencies would decrease (increase) the aggregate carrying value of foreign investments by approximately \$40.5 million (\$44.8 million).

The Company's proportionate share of China AMC's and Personal Capital's earnings (losses), recorded in Proportionate share of associates' earnings in the Consolidated Statements of Earnings, is also affected by changes in foreign exchange rates. A 5% appreciation (depreciation) in Canadian currency relative to foreign currencies would decrease (increase) the proportionate share of associates' earnings (losses) by approximately \$0.7 million (\$0.6 million).

RISKS RELATED TO ASSETS UNDER MANAGEMENT

Risks related to the performance of the equity markets, changes in interest rates and changes in foreign currencies relative to the Canadian dollar can have a significant impact on the level and mix of assets under management. These changes in assets under management directly impact earnings.

NOTE 22 DERIVATIVE FINANCIAL INSTRUMENTS

The Company enters into derivative contracts which are either exchange-traded or negotiated in the over-the-counter market on a diversified basis with Schedule I chartered banks or Canadian bank-sponsored securitization trusts that are counterparties to the Company's securitization transactions. In all cases, the derivative contracts are used for non-trading purposes. Interest rate swaps are contractual agreements between two parties to exchange the related interest payments based on a specified notional amount and reference rate for a specified period. Total return swaps are contractual agreements to exchange payments based on a specified notional amount and the underlying security for a specific period. Options are contractual agreements which convey the right, but not the obligation, to buy or sell specific financial instruments at a fixed price at a future date. Forward contracts are contractual agreements to buy or sell a financial instrument on a future date at a specified price.

Certain of the Company's derivative financial instruments are subject to master netting arrangements and are presented on a gross basis. The amount subject to credit risk is limited to the current fair value of the instruments which are in a gain position and recorded as assets on the Consolidated Balance Sheets. The total estimated fair value represents the total amount that the Company would receive or pay to terminate all agreements at each year end. However, this would not result in a gain or loss to the Company as the derivative instruments which correlate to certain assets and liabilities provide offsetting gains or losses.

The following table summarizes the Company's derivative financial instruments:

	NOTIONAL AMOUNT				CREDIT RISK	FAIR VALUE	
	1 YEAR OR LESS	1-5 YEARS	OVER 5 YEARS	TOTAL		ASSET	LIABILITY
2019							
Swaps							
Hedge accounting	\$ -	\$ 59,559	\$ 46,504	\$ 106,063	\$ 373	\$ 373	\$ 10
No hedge accounting	914,441	1,466,479	76,973	2,457,893	12,049	12,049	17,183
Forward contracts							
Hedge accounting	10,175	33,440	-	43,615	2,782	2,782	-
	\$ 924,616	\$ 1,559,478	\$ 123,477	\$ 2,607,571	\$ 15,204	\$ 15,204	\$ 17,193
2018							
Swaps							
Hedge accounting	\$ -	\$ 122,186	\$ 42,650	\$ 164,836	\$ 1	\$ 1	\$ 1,158
No hedge accounting	907,525	1,736,413	36,737	2,680,675	16,034	16,034	23,252
Forward contracts							
Hedge accounting	10,310	26,985	-	37,295	329	329	4,580
	\$ 917,835	\$ 1,885,584	\$ 79,387	\$ 2,882,806	\$ 16,364	\$ 16,364	\$ 28,990

The credit risk related to the Company's derivative financial instruments after giving effect to any netting agreements was \$0.7 million (2018 - nil).

The credit risk related to the Company's derivative financial instruments after giving effect to netting agreements and including rights to future net interest income, was \$0.7 million (2018 - nil). Rights to future net interest income are related to the Company's securitization activities and are not reflected on the Consolidated Balance Sheets.

NOTE 23 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.

NOTE 23 FAIR VALUE OF FINANCIAL INSTRUMENTS *(continued)*

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

NOTE 23 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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.

2019	CARRYING VALUE	FAIR VALUE			TOTAL
		LEVEL 1	LEVEL 2	LEVEL 3	
Financial assets recorded at fair value					
Other investments					
- FVTOCI	\$ 301,196	\$ -	\$ -	\$ 301,196	\$ 301,196
- FVTPL	56,166	55,603	-	563	56,166
Loans					
- FVTPL	-	-	-	-	-
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
Other financial liabilities	-	-	-	-	-
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
<hr/>					
2018					
Financial assets recorded at fair value					
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
Financial assets recorded at amortized cost					
Loans					
- Amortized cost	7,733,728	-	380,372	7,405,170	7,785,542
Financial liabilities recorded at fair value					
Derivative financial instruments	28,990	-	24,704	4,286	28,990
Other financial liabilities	8,237	8,235	2	-	8,237
Financial liabilities recorded at amortized cost					
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

NOTE 23 FAIR VALUE OF FINANCIAL INSTRUMENTS *(continued)*

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

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 DECEMBER 31
2019							
Other investments							
- FVTOCI	\$ 372,396	\$ -	\$ 12,248	\$ 66,693	\$ -	\$(150,141)	\$ 301,196
- FVTPL	552	11	-	-	-	-	563
Derivative financial instruments, net	4,899	(5,207)	-	(1,551)	(953)	-	(906)
2018							
Other investments							
- FVTOCI	\$ 262,825	\$ -	\$ 21,002	\$ 88,569	\$ -	\$ -	\$ 372,396
- FVTPL	661	(8)	-	-	-	(101)	552
Derivative financial instruments, net	4,095	(12,689)	-	224	(13,269)	-	4,899

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

NOTE 24 EARNINGS PER COMMON SHARE

	2019	2018
Earnings		
Net earnings	\$ 748,947	\$ 776,168
Perpetual preferred share dividends	2,213	8,850
Net earnings available to common shareholders	\$ 746,734	\$ 767,318
Number of common shares <i>(in thousands)</i>		
Weighted average number of common shares outstanding	239,105	240,815
Add: Potential exercise of outstanding stock options ⁽¹⁾	76	125
Average number of common shares outstanding		
- Diluted basis	239,181	240,940
Earnings per common share <i>(in dollars)</i>		
Basic	\$ 3.12	\$ 3.19
Diluted	\$ 3.12	\$ 3.18

(1) Excludes 1,591 thousand shares in 2019 related to outstanding stock options that were anti-dilutive (2018 - 1,453 thousand).

NOTE 25 CONTINGENT LIABILITIES AND GUARANTEES

CONTINGENT LIABILITIES

The Company is subject to legal actions arising in the normal course of its business. In December 2018, a proposed class action was filed in the Ontario Superior Court against Mackenzie Financial Corporation which alleges that the company should not have paid mutual fund trailing commissions to order execution only dealers. Although it is difficult to predict the outcome of any such legal actions, based on current knowledge and consultation with legal counsel, management does not expect the outcome of any of these matters, individually or in aggregate, to have a material adverse effect on the Company's consolidated financial position.

GUARANTEES

In the normal course of operations, the Company executes agreements that provide for indemnifications to third parties in transactions such as business dispositions, business acquisitions, loans and securitization transactions. The Company has also agreed to indemnify its directors and officers. The nature of these agreements precludes the possibility of making a reasonable estimate of the maximum potential amount the Company could be required to pay third parties as the agreements often do not specify a maximum amount and the amounts are dependent on the outcome of future contingent events, the nature and likelihood of which cannot be determined. Historically, the Company has not made any payments under such indemnification agreements. No provisions have been recognized related to these agreements.

NOTE 26 RELATED PARTY TRANSACTIONS

TRANSACTIONS AND BALANCES WITH RELATED ENTITIES

The Company enters into transactions with The Great-West Life Assurance Company (Great-West), London Life Insurance Company (London Life) and The Canada Life Assurance Company (Canada Life), which are all subsidiaries of its affiliate, Lifeco, which is a subsidiary of Power Financial Corporation. Effective as of January 1, 2020, Great-West, London Life and Canada Life amalgamated into a single company, The Canada Life Assurance Company. These transactions are in the normal course of operations and have been recorded at fair value:

- During 2019 and 2018, the Company provided to and received from Great-West certain administrative services. The Company distributes insurance products under a distribution agreement with Great-West and Canada Life and received \$54.8 million in distribution fees (2018 - \$62.6 million). The Company received \$17.1 million (2018 - \$17.5 million) and paid \$26.2 million (2018 - \$25.4 million) to Great-West and related subsidiary companies for the provision of sub-advisory services for certain investment funds. The Company paid \$78.8 million (2018 - \$78.3 million) to London Life related to the distribution of certain investment funds of the Company.
- During 2019, the Company sold residential mortgage loans to Great-West and London Life for \$10.8 million (2018 - \$61.4 million).

After obtaining advanced tax rulings in October 2017, the Company agreed to tax loss consolidation transactions with the Power Corporation of Canada group whereby shares of a subsidiary that has generated tax losses may be acquired in each year up to and including 2020. The acquisitions are expected to close in the fourth quarter of each year. The Company will recognize the benefit of the tax losses realized throughout the year. On each of December 31, 2019 and December 31, 2018, the Company acquired shares of such loss companies and recorded the benefit of the tax losses acquired.

NOTE 26 RELATED PARTY TRANSACTIONS *(continued)*

KEY MANAGEMENT COMPENSATION

The total compensation and other benefits to directors and employees classified as key management, being individuals having authority and responsibility for planning, directing and controlling the activities of the Company, are as follows:

	2019	2018
Compensation and employee benefits	\$ 4,260	\$ 4,200
Post-employment benefits	3,988	3,007
Share-based payments	2,023	1,638
	\$ 10,271	\$ 8,845

Share-based payments exclude the fair value remeasurement of the deferred share units associated with changes in the Company's share price (Note 19).

NOTE 27 SEGMENTED INFORMATION

The Company's reportable segments are:

- IG Wealth Management
- Mackenzie
- 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 had 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 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 investments in Lifeco, China AMC and Personal Capital (Note 8), net investment income on unallocated investments, other income, and also includes consolidation elimination entries.

NOTE 27 SEGMENTED INFORMATION *(continued)*

2019

	IG WEALTH MANAGEMENT	MACKENZIE INVESTMENTS	CORPORATE AND OTHER	TOTAL SEGMENT	ADJUSTMENTS ⁽¹⁾	TOTAL
Revenues						
Management fees	\$ 1,487,935	\$ 703,538	\$ 76,487	\$ 2,267,960	\$ -	\$ 2,267,960
Administration fees	299,631	98,251	16,575	414,457	-	414,457
Distribution fees	171,164	5,746	191,126	368,036	-	368,036
Net investment income and other	56,248	4,236	16,444	76,928	-	76,928
Proportionate share of associates' earnings	-	-	122,425	122,425	(17,200)	105,225
	2,014,978	811,771	423,057	3,249,806	(17,200)	3,232,606
Expenses						
Commission	628,766	292,896	179,503	1,101,165	-	1,101,165
Non-commission	615,934	350,438	88,017	1,054,389	-	1,054,389
	1,244,700	643,334	267,520	2,155,554	-	2,155,554
Earnings before undernoted	\$ 770,278	\$ 168,437	\$ 155,537	1,094,252	(17,200)	1,077,052
Interest expense ⁽²⁾				(108,386)	-	(108,386)
Proportionate share of associate's one-time charges				(17,200)	17,200	-
Earnings before income taxes				968,666	-	968,666
Income taxes				219,719	-	219,719
Net earnings				748,947	-	748,947
Perpetual preferred share dividends				2,213	-	2,213
Net earnings available to common shareholders				\$ 746,734	\$ -	\$ 746,734
Identifiable assets	\$ 8,508,059	\$ 1,140,237	\$ 3,082,913	\$12,731,209		
Goodwill	1,347,781	1,168,580	143,906	2,660,267		
Total assets	\$ 9,855,840	\$ 2,308,817	\$ 3,226,819	\$15,391,476		

(1) Proportionate share of Associate's one time charges is not related to a specific segment and therefore excluded from segment results. These items have been added back to their respective revenue or expense line item to reconcile Total Segment results to the Company's Consolidated Statements of Earnings.

(2) Interest expense includes interest on long-term debt and, beginning January 1, 2019, includes interest on leases of \$4.1 million as a result of the Company's adoption of IFRS 16, Leases.

NOTE 27 SEGMENTED INFORMATION (continued)

2018

	IG WEALTH MANAGEMENT	MACKENZIE INVESTMENTS	CORPORATE AND OTHER	TOTAL SEGMENT	ADJUSTMENTS ⁽¹⁾	TOTAL
Revenues						
Management fees	\$ 1,458,127	\$ 701,424	\$ 79,631	\$ 2,239,182	\$ -	\$ 2,239,182
Administration fees	310,382	98,353	18,358	427,093	-	427,093
Distribution fees	171,531	6,713	192,662	370,906	-	370,906
Net investment income and other Proportionate share of associates' earnings	46,665	(1,942)	17,205	61,928	-	61,928
	-	-	149,962	149,962	-	149,962
	1,986,705	804,548	457,818	3,249,071	-	3,249,071
Expenses						
Commission	623,421	291,089	184,133	1,098,643	-	1,098,643
Non-commission	597,242	335,105	88,377	1,020,724	22,758	1,043,482
	1,220,663	626,194	272,510	2,119,367	22,758	2,142,125
Earnings before undernoted	\$ 766,042	\$ 178,354	\$ 185,308	1,129,704	(22,758)	1,106,946
Interest expense				(110,179)	(10,680)	(120,859)
Premium paid on early redemption of debentures (Note 16)				(10,680)	10,680	-
Restructuring and other charges (Note 3)				(22,758)	22,758	-
Earnings before income taxes				986,087	-	986,087
Income taxes				209,919	-	209,919
Net earnings				776,168	-	776,168
Perpetual preferred share dividends				8,850	-	8,850
Net earnings available to common shareholders				\$ 767,318	\$ -	\$ 767,318
Identifiable assets						
Goodwill	\$ 8,822,277	\$ 1,153,639	\$ 2,972,531	\$ 12,948,447		
	1,347,781	1,168,580	143,906	2,660,267		
Total assets	\$ 10,170,058	\$ 2,322,219	\$ 3,116,437	\$ 15,608,714		

(1) Premium paid on early redemption of debentures and Restructuring and other charges are not related to a specific segment and therefore excluded from segment results. These items have been added back to their respective revenue or expense line item to reconcile Total Segment results to the Company's Consolidated Statements of Earnings.