



Consolidated Financial Statements

***For the Three Months Ended
March 31, 2007***

IGM FINANCIAL INC.**Consolidated Statements of Income**

| <i>(unaudited)</i> | Three months ended March 31 | |
|---|-----------------------------|-------------------|
| | 2007 | 2006 |
| <i>(in thousands of dollars, except shares and per share amounts)</i> | | |
| Fee and net investment income | | |
| Management | \$ 511,836 | \$ 452,307 |
| Administration | 83,757 | 80,042 |
| Distribution | 62,169 | 56,767 |
| Net investment income and other | 63,029 | 57,205 |
| Total fee and net investment income | 720,791 | 646,321 |
| Operating expenses | | |
| Commission expense | 231,404 | 202,409 |
| Non-commission expense | 157,199 | 149,431 |
| Interest expense | 21,851 | 21,941 |
| Total operating expenses | 410,454 | 373,781 |
| Income before income taxes and non-controlling interest | 310,337 | 272,540 |
| Income taxes | 99,147 | 86,889 |
| Income before non-controlling interest | 211,190 | 185,651 |
| Non-controlling interest | 641 | 398 |
| Net income | \$ 210,549 | \$ 185,253 |
| | | |
| Average number of common shares (in thousands) (Note 8) | | |
| - Basic | 264,944 | 264,647 |
| - Diluted | 267,671 | 267,266 |
| | | |
| Earnings per share (in dollars) (Note 8) | | |
| - Basic | \$ 0.79 | \$ 0.70 |
| - Diluted | \$ 0.79 | \$ 0.69 |

(See accompanying notes to interim consolidated financial statements.)

IGM FINANCIAL INC.**Consolidated Balance Sheets**

| <i>(unaudited)</i> <i>(in thousands of dollars)</i> | March 31 2007 | December 31 2006 |
|--|---------------------|---------------------|
| Assets | | |
| Cash and cash equivalents | \$ 1,157,736 | \$ 1,325,468 |
| Securities | 289,096 | 142,322 |
| Loans | 524,854 | 488,795 |
| Investment in affiliate | 577,893 | 549,237 |
| Deferred selling commissions | 1,010,792 | 974,070 |
| Other assets | 496,227 | 439,804 |
| Intangible assets | 1,038,995 | 1,040,126 |
| Goodwill | 2,372,644 | 2,372,714 |
| | \$ 7,468,237 | \$ 7,332,536 |
| Liabilities | | |
| Deposits and certificates | \$ 807,611 | \$ 777,505 |
| Other liabilities | 672,216 | 735,297 |
| Future income taxes | 469,659 | 442,061 |
| Long-term debt | 1,200,000 | 1,200,000 |
| Preferred shares | 360,000 | 360,000 |
| | 3,509,486 | 3,514,863 |
| Shareholders' Equity | | |
| Common shares | 1,498,928 | 1,493,954 |
| Contributed surplus | 16,894 | 15,339 |
| Retained earnings | 2,429,515 | 2,348,157 |
| Accumulated other comprehensive income | 13,414 | (39,777) |
| | 3,958,751 | 3,817,673 |
| | \$ 7,468,237 | \$ 7,332,536 |

(See accompanying notes to interim consolidated financial statements.)

IGM FINANCIAL INC.**Consolidated Statements of Changes in Shareholders' Equity**

| <i>(unaudited)</i> <i>(in thousands of dollars)</i> | Three months ended March 31 | |
|---|-----------------------------|---------------------|
| | 2007 | 2006 |
| Common shares (Note 3) | | |
| Balance, beginning of period | \$ 1,493,954 | \$ 1,481,519 |
| Issued under stock option plan | 7,011 | 5,981 |
| Purchased for cancellation | (2,037) | (843) |
| Balance, end of period | <u>1,498,928</u> | <u>1,486,657</u> |
| Contributed surplus | | |
| Balance, beginning of period | 15,339 | 9,213 |
| Stock options | | |
| Current period expense | 1,875 | 1,469 |
| Exercised | (320) | (415) |
| Balance, end of period | <u>16,894</u> | <u>10,267</u> |
| Retained earnings | | |
| Balance, beginning of period | | |
| As previously reported | 2,308,380 | 1,954,391 |
| Reclassification to accumulated other comprehensive income (Note 1) | 39,777 | 35,205 |
| As restated | <u>2,348,157</u> | <u>1,989,596</u> |
| Net income | 210,549 | 185,253 |
| Common dividends | (113,312) | (97,963) |
| Common share cancellation excess and other (Note 3) | (15,879) | (6,645) |
| Balance, end of period | <u>2,429,515</u> | <u>2,070,241</u> |
| Accumulated other comprehensive income (Note 4) | | |
| Balance, beginning of period | (39,777) | (35,205) |
| Change in accounting policy (Note 1) | 46,339 | - |
| Other comprehensive income (loss) | 6,852 | (814) |
| Balance, end of period | <u>13,414</u> | <u>(36,019)</u> |
| Total Shareholders' Equity | \$ 3,958,751 | \$ 3,531,146 |

(See accompanying notes to interim consolidated financial statements.)

IGM FINANCIAL INC.**Consolidated Statements of Comprehensive Income**

| <i>(unaudited)</i> <i>(in thousands of dollars)</i> | Three months ended March 31 | |
|--|-----------------------------|-------------------|
| | 2007 | 2006 |
| Net income | \$ 210,549 | \$ 185,253 |
| Other comprehensive income (loss), net of tax (Note 5) | | |
| Net unrealized gains (losses) on available for sale securities: | | |
| Unrealized gains (losses) | 3,295 | - |
| Reclassification adjustment for (gains) losses included in net income | <u>(36,732)</u> | <u>-</u> |
| | <u>(33,437)</u> | <u>-</u> |
| Net unrealized gains (losses) on cash flow hedges | | |
| Unrealized gains (losses) | 2,133 | - |
| Reclassification adjustment for (gain) loss included in net income | <u>21,574</u> | <u>-</u> |
| | <u>23,707</u> | <u>-</u> |
| Net unrealized gain (loss) on foreign currency translation | <u>16,582</u> | <u>(814)</u> |
| Other comprehensive income (loss) | <u>6,852</u> | <u>(814)</u> |
| Comprehensive income | \$ 217,401 | \$ 184,439 |

(See accompanying notes to interim consolidated financial statements.)

IGM FINANCIAL INC.**Consolidated Statements of Cash Flows**

| <i>(unaudited)</i> <i>(in thousands of dollars)</i> | Three months ended March 31 | |
|---|-----------------------------|-------------------|
| | 2007 | 2006 |
| Operating activities | | |
| Net income | \$ 210,549 | \$ 185,253 |
| Adjustments to determine net cash from operating activities | | |
| Future income taxes | 19,567 | 25,633 |
| Commission amortization | 80,685 | 72,130 |
| Amortization of capital and intangible assets | 5,644 | 5,369 |
| Changes in operating assets and liabilities and other | (142,007) | (123,078) |
| | <u>174,438</u> | <u>165,307</u> |
| Commissions paid | (117,407) | (121,415) |
| | <u>57,031</u> | <u>43,892</u> |
| Financing activities | | |
| Net increase in deposits and certificates | 30,106 | 15,638 |
| Repayment of long-term debt | - | (25,010) |
| Issue of common shares | 6,691 | 5,565 |
| Common dividends paid | (105,284) | (91,266) |
| Common shares purchased for cancellation | (17,902) | (7,454) |
| | <u>(86,389)</u> | <u>(102,527)</u> |
| Investing activities | | |
| Purchase of securities | (111,205) | (10,374) |
| Proceeds from the sale of securities | 11,410 | 52,897 |
| Net increase in loans | (345,447) | (254,087) |
| Proceeds from securitizations (Note 2) | 310,612 | 85,643 |
| Additions to capital assets | (3,744) | (3,159) |
| Other | - | (156) |
| | <u>(138,374)</u> | <u>(129,236)</u> |
| Decrease in cash and cash equivalents | (167,732) | (187,871) |
| Cash and cash equivalents, beginning of period | 1,325,468 | 1,068,061 |
| Cash and cash equivalents, end of period | \$ 1,157,736 | \$ 880,190 |
| <hr/> | | |
| Cash | \$ 111,257 | \$ 118,090 |
| Cash equivalents | 1,046,479 | 762,100 |
| | <u>\$ 1,157,736</u> | <u>\$ 880,190</u> |
| <hr/> | | |
| Supplemental disclosure of cash flow information | | |
| Amount of interest paid during the period | \$ 22,441 | \$ 21,322 |
| Amount of income taxes paid during the period | \$ 139,566 | \$ 98,130 |

(See accompanying notes to interim consolidated financial statements.)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007 (unaudited)

(in thousands of dollars, except shares and per share amounts)

1. Significant accounting policies

The interim unaudited Consolidated Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles, using the same accounting policies as set out in Note 1 to the Consolidated Financial Statements for the year ended December 31, 2006, except as noted below. These interim unaudited Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and Notes thereto in the Company's Annual Report dated December 31, 2006.

Changes in accounting policies – financial instruments

On January 1, 2007, the Company adopted four new accounting standards: CICA 3855, Financial Instruments – Recognition and Measurement, CICA 3865, Hedges, CICA 1530, Comprehensive Income, and CICA 3251, Equity.

These standards require that all financial assets be classified in one of the following categories: available for sale, held to maturity, trading or loans and receivables. The standards require that all financial assets be carried at fair value in the Consolidated Balance Sheets, except loans and receivables including mortgages and securities classified as held to maturity, which are carried at amortized cost using the effective interest method. Financial liabilities must be classified as either trading, which are carried at fair value, or other than held for trading, which are carried at amortized cost using the effective interest method.

Changes in the fair value of financial assets classified as trading are required to be reported in the Consolidated Statements of Income. Unrealized gains and losses on financial assets that are available for sale are required to be recorded in Other comprehensive income until realized or until the asset is other than temporarily impaired, at which time they are required to be recorded in the Consolidated Statements of Income. All derivatives, including embedded derivatives that must be separately accounted for, must be recorded at fair value in the Consolidated Balance Sheets and the changes in fair value must be recorded in the Consolidated Statements of Income, except as described in the next paragraph for certain hedging derivatives.

Derivative instruments specifically designated as a hedge and meeting the criteria for hedge effectiveness may offset changes in fair values or cash flows of hedged items. A hedge must be designated as a cash flow hedge, fair value hedge, or a hedge of net investments in self-sustaining foreign operations. 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 Income. 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 Income when the hedged transaction impacts earnings. The change in fair value of the ineffective portion of the derivative in a cash flow hedge must be recorded in the Consolidated Statements of Income.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007 (unaudited)

(in thousands of dollars, except shares and per share amounts)

1. Significant accounting policies (continued)

The Consolidated Statements of Comprehensive Income have been included in the Company's financial statements. The Consolidated Statements of Shareholders' Equity have replaced the Consolidated Statements of Retained Earnings in the Company's financial statements. Unrealized gains and losses on financial assets classified as available for sale, the effective portion of changes in the fair value of cash flow hedging instruments and unrealized foreign currency translation gains and losses related to the Company's investment in affiliate are recorded in the Consolidated Statements of Comprehensive Income on a net of tax basis. Other comprehensive income amounts related to the Company's investment in affiliate are also recorded in the Consolidated Statements of Comprehensive Income. Accumulated other comprehensive income forms part of Shareholders' equity.

On January 1, 2007, the Company's securities portfolio was classified as available for sale. The loans portfolio was classified as loans and receivables and is carried at amortized cost. Long-term debt, and deposits and certificates were classified as other than held for trading and are carried at amortized cost.

On January 1, 2007, transitional adjustments were recorded in the opening balance of Accumulated other comprehensive income to recognize the fair value of financial assets classified as available for sale and hedging instruments designated as cash flow hedges. The recognition of the fair value of available for sale securities increased Securities by \$95.7 million and increased funds held in escrow included in Other assets by \$3.5 million. The recognition of the fair value of derivatives designated as cash flow hedges increased Other liabilities by \$42.6 million. Accumulated other comprehensive income increased by \$46.3 million on an after tax basis. The foreign currency translation balance of \$39.8 million (2006 – \$35.2 million) related to the Company's investment in its affiliate has been reclassified from Retained earnings to Accumulated other comprehensive income. Prior periods were not restated except for the reclassification of the foreign currency translation balances. There was no impact to net income as a result of implementation of the standards.

Future accounting changes

On January 1, 2008, the Company will adopt CICA 1535, Capital Disclosures. This standard requires the disclosure of information related to the objectives, policies and processes for managing capital. There will be no impact to the Company's financial statements as this standard only addresses disclosure requirements.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007 (unaudited)

(in thousands of dollars, except shares and per share amounts)

1. Significant accounting policies (continued)

On January 1, 2008, the Company will adopt CICA 3862, Financial Instruments – Disclosures. CICA 3862 requires disclosure of information related to the significance of financial instruments to the Company’s performance. The Company is also required to disclose information related to the risks of its use of financial instruments and how those risks are managed. As this standard only addresses presentation and disclosure requirements, there will be no impact to the Company’s financial statements.

Comparative figures

Certain comparative figures have been reclassified to conform with the current period’s financial statement presentation.

2. Securitizations

During the first quarter of 2007, the Company securitized \$313.7 million (2006 - \$86.1 million) of residential mortgages through sales to commercial paper conduits and received net cash proceeds of \$310.6 million (2006 - \$85.6 million). The Company’s retained interest in the securitized loans was valued at \$8.5 million (2006 - \$1.5 million). A pre-tax gain on sale of \$3.0 million (2006 - \$0.3 million) was recognized and reported in Net investment income and other in the Consolidated Statements of Income.

3. Share capital

Issued and outstanding

| | March 31, 2007 | | March 31, 2006 | |
|----------------------------------|----------------|--------------|----------------|--------------|
| | Shares | Stated Value | Shares | Stated Value |
| First preferred shares, Series A | 14,400,000 | \$ 360,000 | 14,400,000 | \$ 360,000 |
| Common shares | | | | |
| Balance, beginning of period | 264,865,938 | \$ 1,493,954 | 264,539,213 | \$ 1,481,519 |
| Issued under Stock Option Plan | 314,328 | 7,011 | 250,276 | 5,981 |
| Purchased for cancellation | (360,000) | (2,037) | (150,000) | (843) |
| Balance, end of period | 264,820,266 | \$ 1,498,928 | 264,639,489 | \$ 1,486,657 |

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007 (unaudited)

(in thousands of dollars, except shares and per share amounts)

3. Share capital (continued)

Normal course issuer bid

The Company commenced a normal course issuer bid, effective for one year, on March 22, 2007. Under this bid, the Company may purchase up to 13.3 million or 5% of its common shares outstanding as at March 14, 2007. In the first quarter of 2007, 360,000 shares were purchased at a cost of \$17.9 million. The premium paid to purchase the shares in excess of the stated value was charged to Retained earnings.

On March 22, 2006, the Company commenced a normal course issuer bid, effective for one year, authorizing it to purchase up to 13.2 million or 5% of its common shares outstanding as at March 14, 2006. In the first quarter of 2006, 150,000 shares were purchased at a cost of \$7.5 million and the premium paid to purchase the shares in excess of the stated value was charged to Retained earnings.

4. Accumulated other comprehensive income

| | Net Unrealized Gains (Losses), Net of Tax | | | Total |
|--------------------------------------|---|---------------------|------------------------------------|--------------------|
| | Available for Sale Securities | Cash Flow Hedges | Foreign Currency Translation | |
| 2007 | | | | |
| Balance, beginning of period | \$ - | \$ - | \$ (39,777) | \$ (39,777) |
| Change in accounting policy (Note 1) | 81,374 | (35,035) | - | 46,339 |
| Other comprehensive income | <u>(33,437)</u> | <u>23,707</u> | <u>16,582</u> | <u>6,852</u> |
| Balance, end of period | <u>\$ 47,937</u> | <u>\$ (11,328)</u> | <u>\$ (23,195)</u> | <u>\$ 13,414</u> |
| 2006 | | | | |
| Balance, beginning of period | \$ - | \$ - | \$ (35,205) | \$ (35,205) |
| Other comprehensive income | <u>-</u> | <u>-</u> | <u>(814)</u> | <u>(814)</u> |
| Balance, end of period | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (36,019)</u> | <u>\$ (36,019)</u> |

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007 (unaudited)

(in thousands of dollars, except shares and per share amounts)

5. Income taxes on components of other comprehensive income

| | <u>Three months ended March 31</u> | |
|--|------------------------------------|-------------|
| | <u>2007</u> | <u>2006</u> |
| Net unrealized gains (losses) on available for sale securities | \$ 7,340 | \$ - |
| Net unrealized gains (losses) on cash flow hedges | (5,088) | - |
| Net unrealized gain (loss) on foreign currency translation | <u>-</u> | <u>-</u> |
| Total income taxes | <u>\$ 2,252</u> | <u>\$ -</u> |

6. Stock-based compensation

| | <u>March 31</u> | <u>December 31</u> |
|----------------------|-----------------|--------------------|
| | <u>2007</u> | <u>2006</u> |
| Common share options | | |
| - Outstanding | 9,736,389 | 8,494,870 |
| - Exercisable | 5,120,159 | 4,653,897 |

In the first quarter of 2007, the Company granted 1,565,820 options to employees (2006 – 810,400). A portion of the options granted to employees are subject to performance targets. The weighted-average fair value of time vesting options granted during the three months ended March 31, 2007 has been estimated at \$8.64 per option (2006 - \$8.68) using the Black-Scholes option pricing model. The weighted-average fair value of performance based options granted during the three months ended March 31, 2007 has been estimated at \$4.63 per option (2006 - \$5.35) using a barrier option pricing model. The assumptions used in these valuation models include: (i) risk-free interest rate of 3.97% (2006 – 4.11%), (ii) expected option life of six years (2006 – six years), (iii) expected volatility of 20.00% (2006 – 21.00%) and (iv) expected dividend yield of 3.36% (2006 – 3.17%).

The Company recorded compensation expense related to its stock option program of \$1.7 million (2006 - \$1.4 million) for the three months ended March 31, 2007.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007 (unaudited)

(in thousands of dollars, except shares and per share amounts)

7. Employee future benefits

The Company recorded pension and other post-retirement benefits expense as follows:

| | <u>Three months ended March 31</u> | |
|--|------------------------------------|-----------------|
| | <u>2007</u> | <u>2006</u> |
| Pension expense | \$ (187) | \$ 446 |
| Other post-retirement benefits expense | <u>1,220</u> | <u>962</u> |
| Total | <u>\$ 1,033</u> | <u>\$ 1,408</u> |

8. Earnings per common share

| | <u>Three months ended March 31</u> | |
|--|------------------------------------|-------------------|
| | <u>2007</u> | <u>2006</u> |
| Earnings | | |
| Net income | <u>\$ 210,549</u> | <u>\$ 185,253</u> |
| Number of common shares <i>(in thousands)</i> | | |
| Average number of common shares outstanding | 264,944 | 264,647 |
| Add: | | |
| - Potential exercise of outstanding stock options | <u>2,727</u> | <u>2,619</u> |
| Average number of common shares outstanding | | |
| - Diluted basis | <u>267,671</u> | <u>267,266</u> |
| Earnings per common share <i>(in dollars)</i> | | |
| Basic | \$ 0.79 | \$ 0.70 |
| Diluted | \$ 0.79 | \$ 0.69 |

In certain circumstances, the preferred shares are convertible into common shares. These conversions are not included in the calculation of diluted earnings per share as the Company has the option to settle in cash instead of shares.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007 (unaudited)

(in thousands of dollars, except shares and per share amounts)

9. Segmented information**Three months ended March 31**

| 2007 | Investors Group | Mackenzie | Corporate and Other | Total |
|---|----------------------------|---------------------|--------------------------------|---------------------|
| Fee and net investment income | | | | |
| Management | \$ 284,028 | \$ 216,651 | \$ 11,157 | \$ 511,836 |
| Administration | 48,372 | 34,892 | 493 | 83,757 |
| Distribution | 30,153 | 8,119 | 23,897 | 62,169 |
| Net investment income and other | 45,816 | 6,605 | 10,608 | 63,029 |
| | 408,369 | 266,267 | 46,155 | 720,791 |
| Operating expenses | | | | |
| Commissions | 111,307 | 97,712 | 22,385 | 231,404 |
| Non-commission | 72,851 | 76,085 | 8,263 | 157,199 |
| | 184,158 | 173,797 | 30,648 | 388,603 |
| Earnings before undernoted | \$ 224,211 | \$ 92,470 | \$ 15,507 | 332,188 |
| Interest expense | | | | 21,851 |
| Income before income taxes and non-controlling interest | | | | 310,337 |
| Income taxes | | | | 99,147 |
| Income before non-controlling interest | | | | 211,190 |
| Non-controlling interest | | | | 641 |
| Net income | | | | \$ 210,549 |
| Identifiable assets | \$ 1,542,568 | \$ 2,543,534 | \$ 1,009,491 | \$ 5,095,593 |
| Goodwill | 1,347,781 | 943,550 | 81,313 | 2,372,644 |
| Total assets | \$ 2,890,349 | \$ 3,487,084 | \$ 1,090,804 | \$ 7,468,237 |

IGM FINANCIAL INC.**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007 (unaudited)**

(in thousands of dollars, except shares and per share amounts)

9. Segmented information (continued)

Three months ended March 31

| 2006 | Investors Group | Mackenzie | Corporate and Other | Total |
|---|---------------------|---------------------|------------------------|---------------------|
| Fee and net investment income | | | | |
| Management | \$ 252,414 | \$ 190,398 | \$ 9,495 | \$ 452,307 |
| Administration | 45,211 | 34,723 | 108 | 80,042 |
| Distribution | 28,721 | 9,406 | 18,640 | 56,767 |
| Net investment income and other | <u>43,713</u> | <u>5,577</u> | <u>7,915</u> | <u>57,205</u> |
| | <u>370,059</u> | <u>240,104</u> | <u>36,158</u> | <u>646,321</u> |
| Operating expenses | | | | |
| Commissions | 93,559 | 91,460 | 17,390 | 202,409 |
| Non-commission | <u>71,138</u> | <u>70,651</u> | <u>7,642</u> | <u>149,431</u> |
| | <u>164,697</u> | <u>162,111</u> | <u>25,032</u> | <u>351,840</u> |
| Earnings before undernoted | <u>\$ 205,362</u> | <u>\$ 77,993</u> | <u>\$ 11,126</u> | 294,481 |
| Interest expense | | | | <u>21,941</u> |
| Income before income taxes and non-controlling interest | | | | 272,540 |
| Income taxes | | | | <u>86,889</u> |
| Income before non-controlling interest | | | | 185,651 |
| Non-controlling interest | | | | <u>398</u> |
| Net income | | | | <u>\$ 185,253</u> |
| Identifiable assets | \$ 1,559,902 | \$ 2,234,671 | \$ 664,629 | \$ 4,459,202 |
| Goodwill | <u>1,347,781</u> | <u>943,550</u> | <u>82,152</u> | <u>2,373,483</u> |
| Total assets | <u>\$ 2,907,683</u> | <u>\$ 3,178,221</u> | <u>\$ 746,781</u> | <u>\$ 6,832,685</u> |