



Consolidated Financial Statements

For the Six Months Ended

June 30, 2005

August 4, 2005

IGM FINANCIAL INC.**Consolidated Balance Sheets**

<i>(unaudited)</i>	June 30	December 31
<i>(in thousands of dollars)</i>	2005	2004
Assets		
Cash and cash equivalents	\$ 812,389	\$ 864,990
Securities	110,662	126,310
Loans	610,872	496,652
Investment in affiliate	505,873	490,716
Deferred selling commissions	916,809	850,791
Other assets	361,458	371,717
Intangible assets	899,865	900,444
Goodwill	2,372,782	2,371,591
	\$ 6,590,710	\$ 6,473,211
Liabilities		
Deposits and certificates	\$ 701,185	\$ 710,950
Other liabilities	552,207	605,017
Future income taxes	458,132	422,848
Long-term debt	1,225,010	1,226,795
Preferred shares (Note 3)	360,000	360,000
	3,296,534	3,325,610
Shareholders' Equity		
Share capital (Note 3)	1,478,012	1,475,405
Contributed surplus	6,090	4,190
Retained earnings	1,810,074	1,668,006
	3,294,176	3,147,601
	\$ 6,590,710	\$ 6,473,211

(See accompanying notes to interim consolidated financial statements.)

IGM FINANCIAL INC.**Consolidated Statements of Income***(unaudited)**(in thousands of dollars, except
shares and per share amounts)*

	Three months ended June 30		Six months ended June 30	
	2005	2004	2005	2004
Fee and net investment income				
Management	\$ 406,462	\$ 371,701	\$ 797,112	\$ 736,781
Administration	75,396	75,768	154,881	153,796
Distribution	49,756	38,892	103,092	73,827
Net investment income and other	47,548	37,121	97,173	79,482
Total fee and net investment income	579,162	523,482	1,152,258	1,043,886
Operating expenses				
Commission expense	177,865	153,802	353,481	297,624
Non-commission expense	135,727	126,692	278,513	263,493
Interest expense (Note 1)	22,557	23,707	44,930	47,604
Total operating expenses	336,149	304,201	676,924	608,721
Income before income taxes and non-controlling interest	243,013	219,281	475,334	435,165
Income taxes	74,498	66,535	145,668	134,530
Income before non-controlling interest	168,515	152,746	329,666	300,635
Non-controlling interest	584	160	1,040	160
Net income	\$ 167,931	\$ 152,586	\$ 328,626	\$ 300,475
Average number of common shares (in thousands) (Note 6)				
- Basic	264,557	264,331	264,601	264,251
- Diluted	266,306	265,960	266,334	265,847
Earnings per share (in dollars) (Note 6)				
- Basic	\$ 0.63	\$ 0.58	\$ 1.24	\$ 1.14
- Diluted	\$ 0.63	\$ 0.57	\$ 1.23	\$ 1.13

(See accompanying notes to interim consolidated financial statements.)

IGM FINANCIAL INC.

Consolidated Statements of Retained Earnings

<i>(unaudited)</i> <i>(in thousands of dollars)</i>	Six months ended June 30	
	2005	2004
Balance, beginning of period		
As previously reported	\$ 1,668,006	\$ 1,414,705
Change in accounting policy	-	(1,093)
As restated	<u>1,668,006</u>	<u>1,413,612</u>
Net income	328,626	300,475
Common dividends	(170,676)	(145,409)
Common share cancellation excess (Note 3)	(10,228)	(19,449)
Other	<u>(5,654)</u>	<u>(166)</u>
Balance, end of period	<u>\$ 1,810,074</u>	<u>\$ 1,549,063</u>

(See accompanying notes to interim consolidated financial statements.)

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

<i>(unaudited)</i>	Three months ended June 30		Six months ended June 30	
<i>(in thousands of dollars)</i>	2005	2004	2005	2004
Operating activities				
Net income	\$ 167,931	\$ 152,586	\$ 328,626	\$ 300,475
Adjustments to determine net cash from operating activities				
Future income taxes	4,675	17,092	35,284	39,958
Commission amortization	64,971	55,470	127,578	109,526
Amortization of capital and intangible assets	5,702	5,449	11,400	10,764
Changes in operating assets and liabilities and other	2,439	(75,988)	(100,254)	(157,002)
	245,718	154,609	402,634	303,721
Commissions paid	(80,672)	(69,610)	(193,596)	(169,733)
	165,046	84,999	209,038	133,988
Financing activities				
Net decrease in deposits and certificates	(39,801)	(50,076)	(9,765)	(37,247)
Repayment of long-term debt	-	(23,044)	(1,785)	(24,829)
Issue of common shares	1,678	51	4,299	7,934
Common dividends paid	(85,373)	(72,629)	(164,758)	(139,972)
Common shares purchased for cancellation	(7,742)	-	(12,041)	(22,975)
	(131,238)	(145,698)	(184,050)	(217,089)
Investing activities				
Acquisition of Investment Planning Counsel, less cash and cash equivalents acquired	-	(63,872)	-	(63,872)
Acquisition of additional interest in Investment Planning Counsel	(344)	-	(641)	-
Purchase of securities	(15,523)	(24,715)	(15,833)	(54,644)
Proceeds from the sale of securities	26,798	35,522	56,208	60,861
Net increase in loans	(110,033)	(59,948)	(243,642)	(130,410)
Proceeds from securitizations (Note 2)	82,786	-	131,489	10,190
Additions to capital assets	(3,133)	(4,207)	(5,170)	(5,773)
	(19,449)	(117,220)	(77,589)	(183,648)
Increase (decrease) in cash and cash equivalents	14,359	(177,919)	(52,601)	(266,749)
Cash and cash equivalents, beginning of period	798,030	880,485	864,990	969,315
Cash and cash equivalents, end of period	\$ 812,389	\$ 702,566	\$ 812,389	\$ 702,566
Cash	\$ 67,726	\$ 44,588	\$ 67,726	\$ 44,588
Cash equivalents	744,663	657,978	744,663	657,978
	\$ 812,389	\$ 702,566	\$ 812,389	\$ 702,566

(See accompanying notes to interim consolidated financial statements.)

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2005 (unaudited)**

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

These interim Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements for the year ended December 31, 2004 as set out on pages 60 to 84 of the 2004 Annual Report. Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.

1. Summary of significant accounting policies

These interim 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, 2004 except as noted below.

Financial instruments - disclosure and presentation

Effective for fiscal years beginning on or after November 1, 2004, CICA 3860, Financial Instruments - Disclosure and Presentation was amended to require obligations that can be settled at the issuer's option by issuing a variable number of the issuer's own equity instruments to be presented as liabilities rather than equity. On January 1, 2005, the Company adopted the amended standard retroactively with restatement of prior periods. The Company's preferred shares were reclassified from Shareholders' Equity to Liabilities and the preferred dividends were reclassified to Interest expense in the Consolidated Statements of Income. The change does not have any impact on earnings per share or net income available to common shareholders since preferred dividends were previously deducted from net income in determining net income available to common shareholders.

Variable Interest Entities (VIEs)

Accounting Guideline 15 - Consolidation of Variable Interest Entities (VIEs), effective for annual and interim periods beginning on or after November 1, 2004, requires consolidation of VIEs by the primary beneficiary. The Company completed a review of all of the VIEs in which it has a variable interest and has determined that there are no VIEs requiring consolidation under this guideline except with respect to the Company's Employee Share Purchase Plan compensation trust. The Company is considered the primary beneficiary of the Employee Share Purchase Plan compensation trust. However, the consolidation of this trust does not have a significant impact as both the assets (IGM Financial Inc. shares) and the liabilities (the obligation to deliver IGM Financial Inc. shares to the participants) of the trust offset each other in the Share Capital section of the Consolidated Balance Sheets.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2005 (unaudited)

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

2. Securitizations

During the second quarter, the Company securitized \$83.2 million (2004 - nil) of residential mortgages through sales to commercial paper conduits that in turn issued securities to investors and received net cash proceeds of \$82.8 million (2004 - nil). The Company's retained interest in the securitized loans was valued at \$2.7 million (2004 - nil). A pre-tax gain on sale of \$1.5 million (2004 - nil) was recognized and reported in Net investment income and other in the Consolidated Statements of Income.

During the six months ended June 30, 2005, the Company securitized \$132.1 million (2004 - \$10.3 million) of residential mortgages through sales to commercial paper conduits that in turn issued securities to investors and received net cash proceeds of \$131.5 million (2004 - \$10.2 million). The Company's retained interest in the securitized loans was valued at \$4.1 million (2004 - \$0.3 million). A pre-tax gain on sale of \$2.3 million (2004 - \$0.1 million) was recognized and reported in Net investment income and other in the Consolidated Statements of Income.

3. Share capital

Issued and outstanding

	<u>June 30, 2005</u>		<u>December 31, 2004</u>	
	<u>Shares</u>	<u>Stated Value</u>	<u>Shares</u>	<u>Stated Value</u>
First preferred shares, Series A (Note 1)	14,400,000	\$ 360,000	14,400,000	\$ 360,000
Common shares				
Balance, beginning of period	264,598,380	\$ 1,475,405	264,089,791	\$ 1,446,063
Issued on acquisition of Investment Planning Counsel	-	-	734,796	24,366
Issued under Stock Option Plan	242,460	4,420	529,893	9,138
Purchased for cancellation	(324,700)	(1,813)	(756,100)	(4,162)
Balance, end of period	264,516,140	\$ 1,478,012	264,598,380	\$ 1,475,405

Normal course issuer bid

The Company commenced a normal course issuer bid, effective for one year, on February 23, 2005. Under this bid, the Company may purchase up to 13.2 million or 5% of its common shares outstanding as at February 18, 2005. In the second quarter, 210,000 shares were purchased at a cost of \$7.7 million and, during the six months ended June 30, 2005, 324,700 shares were purchased at a cost of \$12.0 million. The premium paid to purchase the shares in excess of the stated value was charged to Retained earnings.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2005 (unaudited)

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

3. Share capital (continued)

Normal course issuer bid (continued)

On February 22, 2004, 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 January 31, 2004. As at June 30, 2004, 642,000 shares were purchased at a cost of \$23.0 million and the premium paid to purchase the shares in excess of the stated value was charged to Retained earnings. No shares were purchased during the second quarter of 2004.

4. Stock-based compensation

	<u>June 30</u> <u>2005</u>	<u>December 31</u> <u>2004</u>
Common share options		
- Outstanding	8,870,567	7,243,068
- Exercisable	3,280,357	2,752,397

In the first quarter of 2005, the Company issued 1,920,800 (2004 - 1,262,500) options to employees and nil (2004 - 88,750) options to non-employees. In the second quarter of 2005 the Company did not issue options to employees (2004 - 260,000). A portion of the options granted to employees are subject to performance targets. The weighted-average fair value of options granted during the six months ended June 30, 2005 has been estimated at \$7.76 per option (2004 - \$7.19) using the Black-Scholes option pricing model, based on the following assumptions: (i) risk-free interest rate of 4.04% (2004 - 4.01%), (ii) expected option life of six years (2004 - six years), (iii) expected volatility of 25.00% (2004 - 25.00%) and (iv) expected dividend yield of 3.42% (2004 - 3.28%).

The Company recorded compensation expense related to its stock option program of \$1.1 million (2004 - \$0.8 million) in the second quarter and \$2.0 million (2004 - \$1.3 million) for the six months ended June 30, 2005.

5. Employee future benefits

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

	<u>Three months ended</u> <u>June 30</u>		<u>Six months ended</u> <u>June 30</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Pension expense	\$ 220	\$ 51	\$ 408	\$ 101
Other post-retirement benefits expense	972	903	1,944	1,806
Total	<u>\$ 1,192</u>	<u>\$ 954</u>	<u>\$ 2,352</u>	<u>\$ 1,907</u>

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2005 (unaudited)

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

6. Earnings per common share

	<u>Three months ended June 30</u>	
	<u>2005</u>	<u>2004</u>
Earnings		
Net income	<u>\$ 167,931</u>	<u>\$ 152,586</u>
Number of common shares (in thousands)		
Average number of common shares outstanding	264,557	264,331
Add:		
- Potential exercise of outstanding stock options	<u>1,749</u>	<u>1,629</u>
Average number of common shares outstanding - diluted basis	<u>266,306</u>	<u>265,960</u>
Earnings per common share (in dollars)		
Basic	\$ 0.63	\$ 0.58
Diluted	\$ 0.63	\$ 0.57
	<u>Six months ended June 30</u>	
	<u>2005</u>	<u>2004</u>
Earnings		
Net income	<u>\$ 328,626</u>	<u>\$ 300,475</u>
Number of common shares (in thousands)		
Average number of common shares outstanding	264,601	264,251
Add:		
- Potential exercise of outstanding stock options	<u>1,733</u>	<u>1,596</u>
Average number of common shares outstanding - diluted basis	<u>266,334</u>	<u>265,847</u>
Earnings per common share (in dollars)		
Basic	\$ 1.24	\$ 1.14
Diluted	\$ 1.23	\$ 1.13

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
 JUNE 30, 2005 (unaudited)

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

7. Segmented information

Three months ended June 30

2005	Investors Group	Mackenzie	Corporate and Other	Total
Fee and net investment income				
Management	\$ 224,362	\$ 174,230	\$ 7,870	\$ 406,462
Administration	41,301	33,304	791	75,396
Distribution	26,040	8,173	15,543	49,756
Net investment income and other	<u>36,967</u>	<u>4,411</u>	<u>6,170</u>	<u>47,548</u>
	<u>328,670</u>	<u>220,118</u>	<u>30,374</u>	<u>579,162</u>
Operating expenses				
Commissions	79,371	84,019	14,475	177,865
Non-commission	<u>67,054</u>	<u>61,004</u>	<u>7,669</u>	<u>135,727</u>
	<u>146,425</u>	<u>145,023</u>	<u>22,144</u>	<u>313,592</u>
Earnings before undernoted	<u>\$ 182,245</u>	<u>\$ 75,095</u>	<u>\$ 8,230</u>	265,570
Interest expense				<u>22,557</u>
Income before income taxes and non-controlling interest				243,013
Income taxes				<u>74,498</u>
Income before non-controlling interest				168,515
Non-controlling interest				<u>584</u>
Net income				<u>\$ 167,931</u>

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2005 (unaudited)**

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

7. Segmented information (continued)

Three months ended June 30

2004	Investors Group	Mackenzie	Corporate and Other	Total
Fee and net investment income				
Management	\$ 206,415	\$ 161,635	\$ 3,651	\$ 371,701
Administration	40,974	34,197	597	75,768
Distribution	22,458	8,668	7,766	38,892
Net investment income and other	<u>28,585</u>	<u>3,942</u>	<u>4,594</u>	<u>37,121</u>
	<u>298,432</u>	<u>208,442</u>	<u>16,608</u>	<u>523,482</u>
Operating expenses				
Commissions	66,214	79,846	7,742	153,802
Non-commission	<u>61,201</u>	<u>62,146</u>	<u>3,345</u>	<u>126,692</u>
	<u>127,415</u>	<u>141,992</u>	<u>11,087</u>	<u>280,494</u>
Earnings before undernoted	<u>\$ 171,017</u>	<u>\$ 66,450</u>	<u>\$ 5,521</u>	242,988
Interest expense				<u>23,707</u>
Income before income taxes and non-controlling interest				219,281
Income taxes				<u>66,535</u>
Income before non-controlling interest				152,746
Non-controlling interest				<u>160</u>
Net income				<u>\$ 152,586</u>

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2005 (unaudited)

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

7. Segmented information (continued)**Six months ended June 30**

2005	Investors Group	Mackenzie	Corporate and Other	Total
Fee and net investment income				
Management	\$ 441,696	\$ 340,163	\$ 15,253	\$ 797,112
Administration	84,140	68,932	1,809	154,881
Distribution	50,400	17,953	34,739	103,092
Net investment income and other	73,379	8,624	15,170	97,173
	649,615	435,672	66,971	1,152,258
Operating expenses				
Commissions	155,108	166,721	31,652	353,481
Non-commission	134,112	128,898	15,503	278,513
	289,220	295,619	47,155	631,994
Earnings before undernoted	\$ 360,395	\$ 140,053	\$ 19,816	520,264
Interest expense				44,930
Income before income taxes and non-controlling interest				475,334
Income taxes				145,668
Income before non-controlling interest				329,666
Non-controlling interest				1,040
Net income				\$ 328,626
Identifiable assets	\$ 1,454,251	\$ 2,198,644	\$ 565,033	\$ 4,217,928
Goodwill	1,347,781	943,550	81,451	2,372,782
Total assets	\$ 2,802,032	\$ 3,142,194	\$ 646,484	\$ 6,590,710

In the second quarter, the Company finalized the allocation of goodwill related to the acquisition of Investment Planning Counsel.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2005 (unaudited)

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

7. Segmented information (continued)

Six months ended June 30

2004	Investors Group	Mackenzie	Corporate and Other	Total
Fee and net investment income				
Management	\$ 412,048	\$ 322,123	\$ 2,610	\$ 736,781
Administration	80,844	72,355	597	153,796
Distribution	47,258	18,803	7,766	73,827
Net investment income and other	62,202	7,785	9,495	79,482
	<u>602,352</u>	<u>421,066</u>	<u>20,468</u>	<u>1,043,886</u>
Operating expenses				
Commissions	130,945	158,937	7,742	297,624
Non-commission	128,120	133,069	2,304	263,493
	<u>259,065</u>	<u>292,006</u>	<u>10,046</u>	<u>561,117</u>
Earnings before undernoted	<u>\$ 343,287</u>	<u>\$ 129,060</u>	<u>\$ 10,422</u>	482,769
Interest expense				<u>47,604</u>
Income before income taxes and non-controlling interest				435,165
Income taxes				<u>134,530</u>
Income before non-controlling interest				300,635
Non-controlling interest				<u>160</u>
Net income				<u>\$ 300,475</u>
Identifiable assets	\$ 1,445,177	\$ 2,164,596	\$ 452,287	\$ 4,062,060
Goodwill	1,346,245	923,590	124,579	2,394,414
Total assets	<u>\$ 2,791,422</u>	<u>\$ 3,088,186</u>	<u>\$ 576,866</u>	<u>\$ 6,456,474</u>