

interim condensed consolidated financial statements

CONSOLIDATED STATEMENTS OF EARNINGS

(unaudited)

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

THREE MONTHS ENDED MARCH 31

	2021	2020
Revenues (Note 3)		
Wealth management	\$ 603,451	\$ 562,733
Asset management	232,990	198,442
Dealer compensation expense	(80,709)	(71,381)
Net asset management	152,281	127,061
Net investment income and other	3,134	(1,899)
Proportionate share of associates' earnings (Note 7)	41,589	20,045
	800,455	707,940
Expenses		
Advisory and business development	284,026	259,114
Operations and support	206,539	195,107
Sub-advisory	19,729	17,502
Interest	28,120	27,307
	538,414	499,030
Earnings before income taxes	262,041	208,910
Income taxes	59,671	48,034
Net earnings	202,370	160,876
Non-controlling interest (Note 7)	(190)	-
Net earnings available to common shareholders	\$ 202,180	\$ 160,876
Earnings per share (in dollars) (Note 14)		
- Basic	\$ 0.85	\$ 0.68
- Diluted	\$ 0.85	\$ 0.68

(See accompanying notes to interim condensed consolidated financial statements)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)

(in thousands of Canadian dollars)

THREE MONTHS ENDED MARCH 31

	2021	2020
Net earnings	\$ 202,370	\$ 160,876
Other comprehensive income (loss), net of tax		
Items that will not be reclassified to Net earnings		
Fair value through other comprehensive income investments (Note 4)		
Other comprehensive income (loss), net of tax of \$(125,034) and \$(322)	801,145	2,068
Employee benefits		
Net actuarial gains (losses), net of tax of \$(30,740) and \$(20,965)	83,115	56,696
Investment in associates – employee benefits and other		
Other comprehensive income (loss), net of tax of nil	4,593	5,569
Items that may be reclassified subsequently to Net earnings		
Investment in associates and other		
Other comprehensive income (loss), net of tax of \$231 and \$(2,277)	(17,605)	51,581
	871,248	115,914
Total comprehensive income	\$ 1,073,618	\$ 276,790

(See accompanying notes to interim condensed consolidated financial statements)

CONSOLIDATED BALANCE SHEETS

(unaudited)

(in thousands of Canadian dollars)

MARCH 31
2021

DECEMBER 31
2020

Assets

Cash and cash equivalents	\$ 657,807	\$ 771,585
Other investments (Note 4)	1,579,452	632,300
Client funds on deposit	1,372,198	1,063,442
Accounts and other receivables	453,529	444,458
Income taxes recoverable	49,871	30,366
Loans (Note 5)	5,995,066	6,331,855
Derivative financial instruments	38,433	37,334
Other assets	50,932	49,782
Investment in associates (Note 7)	1,911,865	1,931,168
Capital assets	328,951	329,690
Capitalized sales commissions	259,157	231,085
Deferred income taxes	33,682	84,624
Intangible assets	1,332,322	1,321,590
Goodwill	2,803,165	2,803,075
	\$ 16,866,430	\$ 16,062,354

Liabilities

Accounts payable and accrued liabilities	\$ 448,800	\$ 486,575
Income taxes payable	1,354	7,146
Derivative financial instruments	28,179	34,514
Deposits and certificates	1,351,809	1,104,889
Other liabilities	413,854	536,141
Obligations to securitization entities (Note 6)	5,819,509	6,173,886
Lease obligations	196,693	188,334
Deferred income taxes	519,620	388,079
Long-term debt	2,100,000	2,100,000
	10,879,818	11,019,564

Shareholders' Equity

Share capital		
Common shares	1,601,087	1,598,381
Contributed surplus	52,396	51,663
Retained earnings	3,276,003	3,207,469
Accumulated other comprehensive income (loss)	1,007,612	136,364
Non-controlling interest	49,514	48,913
	5,986,612	5,042,790
	\$ 16,866,430	\$ 16,062,354

These interim condensed consolidated financial statements were approved and authorized for issuance by the Board of Directors on May 6, 2021.

(See accompanying notes to interim condensed consolidated financial statements)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

THREE MONTHS ENDED MARCH 31

<i>(unaudited)</i> <i>(in thousands of Canadian dollars)</i>	SHARE CAPITAL – COMMON SHARES <i>(Note 8)</i>	CONTRIBUTED SURPLUS	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) <i>(Note 11)</i>	NON- CONTROLLING INTEREST	TOTAL SHAREHOLDERS' EQUITY
2021						
Balance, beginning of period	\$ 1,598,381	\$ 51,663	\$ 3,207,469	\$ 136,364	\$ 48,913	\$ 5,042,790
Net earnings	–	–	202,370	–	–	202,370
Other comprehensive income (loss), net of tax	–	–	–	871,248	–	871,248
Total comprehensive income	–	–	202,370	871,248	–	1,073,618
Common shares						
Issued under stock option plan	2,706	–	–	–	–	2,706
Stock options						
Current period expense	–	853	–	–	–	853
Exercised	–	(120)	–	–	–	(120)
Common share dividends	–	–	(134,090)	–	–	(134,090)
Non-controlling interest	–	–	(190)	–	601	411
Other	–	–	444	–	–	444
Balance, end of period	\$ 1,601,087	\$ 52,396	\$ 3,276,003	\$ 1,007,612	\$ 49,514	\$ 5,986,612
2020						
Balance, beginning of period	\$ 1,597,860	\$ 48,677	\$ 2,980,260	\$ (127,702)	\$ –	\$ 4,499,095
Net earnings	–	–	160,876	–	–	160,876
Other comprehensive income (loss), net of tax	–	–	–	115,914	–	115,914
Total comprehensive income	–	–	160,876	115,914	–	276,790
Common shares						
Issued under stock option plan	521	–	–	–	–	521
Stock options						
Current period expense	–	814	–	–	–	814
Exercised	–	(24)	–	–	–	(24)
Common share dividends	–	–	(134,048)	–	–	(134,048)
Other	–	–	(1,527)	–	–	(1,527)
Balance, end of period	\$ 1,598,381	\$ 49,467	\$ 3,005,561	\$ (11,788)	\$ –	\$ 4,641,621

(See accompanying notes to interim condensed consolidated financial statements)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

(in thousands of Canadian dollars)

THREE MONTHS ENDED MARCH 31

	2021	2020
Operating activities		
Earnings before income taxes	\$ 262,041	\$ 208,910
Income taxes paid	(55,343)	(42,113)
Adjustments to determine net cash from operating activities		
Capitalized sales commission amortization	12,074	7,684
Capitalized sales commissions paid	(40,146)	(32,982)
Amortization of capital, intangible and other assets	24,044	20,124
Proportionate share of associates' earnings, net of dividends received	(25,235)	(3,691)
Pension and other post-employment benefits	5,826	1,778
Changes in operating assets and liabilities and other	(109,870)	(66,731)
Cash from operating activities before restructuring provision payments	73,391	92,979
Restructuring provision cash payments	(20,949)	(2,661)
	52,442	90,318
Financing activities		
Net decrease in deposits and certificates	(3,648)	(2,480)
Increase in obligations to securitization entities	351,929	240,213
Repayments of obligations to securitization entities and other	(678,918)	(392,383)
Repayment of lease obligations	(6,382)	(6,066)
Issue of common shares	2,586	498
Common share dividends paid	(134,048)	(134,040)
	(468,481)	(294,258)
Investing activities		
Purchase of other investments	(35,870)	(19,085)
Proceeds from the sale of other investments	15,576	472
Increase in loans	(380,502)	(321,294)
Repayment of loans and other	727,125	547,121
Net additions to capital assets	(5,245)	(2,942)
Net cash used in additions to intangible assets	(18,823)	(10,874)
	302,261	193,398
Decrease in cash and cash equivalents	(113,778)	(10,542)
Cash and cash equivalents, beginning of period	771,585	720,005
Cash and cash equivalents, end of period	\$ 657,807	\$ 709,463
Cash	\$ 50,192	\$ 92,684
Cash equivalents	607,615	616,779
	\$ 657,807	\$ 709,463
Supplemental disclosure of cash flow information related to operating activities		
Interest and dividends received	\$ 57,794	\$ 69,444
Interest paid	\$ 58,411	\$ 65,834

(See accompanying notes to interim condensed consolidated financial statements)

Notes to the Interim Condensed Consolidated Financial Statements

March 31, 2021 (unaudited) (In thousands of Canadian dollars, except shares and per share amounts)

NOTE 1 CORPORATE INFORMATION

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

IGM Financial Inc. is a wealth and asset management company which serves the financial needs of Canadians through its principal subsidiaries, each operating distinctly within the advice segment of the financial services market. The Company's wholly-owned principal subsidiaries are Investors Group Inc. and Mackenzie Financial Corporation (Mackenzie).

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The unaudited Interim Condensed Consolidated Financial Statements of the Company (Interim Financial Statements) have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, using the accounting policies as set out in this note and in Note 2 to the Consolidated Financial Statements for the year ended December 31, 2020. The Interim Financial Statements should be read in conjunction with the Consolidated Financial Statements in the 2020 IGM Financial Inc. Annual Report.

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 REVENUES FROM CONTRACTS WITH CUSTOMERS

	THREE MONTHS ENDED MARCH 31	
	2021	2020
Advisory fees	\$ 328,460	\$ 304,479
Product and program fees	224,808	211,177
	553,268	515,656
Redemption fees	3,760	6,169
Other financial planning revenues	46,423	40,908
Wealth management	603,451	562,733
Asset management	232,990	198,442
Dealer compensation expense	(80,709)	(71,381)
Net asset management	152,281	127,061
Net revenues from contracts with customers	\$ 755,732	\$ 689,794

Wealth management revenue is earned for providing financial planning, investment advisory and related financial services. Advisory fees, related to financial planning, are associated with assets under management and advisement. Product and program fees, related to investment management and administration services, are associated with assets under management. Other financial planning revenues includes insurance, banking products and services, and mortgage lending activities.

Asset management revenue, related to investment management advisory and administrative services, depends on the level and composition of assets under management.

NOTE 4 OTHER INVESTMENTS

	MARCH 31, 2021		DECEMBER 31, 2020	
	COST	FAIR VALUE	COST	FAIR VALUE
Fair value through other comprehensive income (FVTOCI)				
Corporate investments	\$ 255,566	\$ 1,523,602	\$ 251,417	\$ 593,273
Fair value through profit or loss (FVTPL)				
Equity securities	1,524	1,666	1,499	1,513
Proprietary investment funds	51,110	54,184	35,254	37,514
	52,634	55,850	36,753	39,027
	\$ 308,200	\$ 1,579,452	\$ 288,170	\$ 632,300

In the first quarter of 2021, the Company invested \$4.1 million related to Portage Ventures III LP.

Wealthsimple Financial Corp. (Wealthsimple) is an online investment manager that provides financial investment guidance. The investment is classified at Fair Value Through Other Comprehensive Income.

On May 3, 2021, Wealthsimple announced a \$250 million primary equity fundraising as well as a \$500 million secondary offering. At December 31, 2020, the fair value of the Company's direct and indirect investment was \$550 million. Fair value has increased by \$897 million to \$1,448 million at March 31, 2021.

As part of the secondary equity offering, IGM Financial Inc. will receive proceeds of approximately \$295 million (\$257 million after-tax). Pro forma, the Company will continue to be the largest shareholder in Wealthsimple with an interest of 23% and its continuing investment will have a value of \$1,153 million.

NOTE 5 LOANS

	CONTRACTUAL MATURITY			MARCH 31 2021 TOTAL	DECEMBER 31 2020 TOTAL
	1 YEAR OR LESS	1 - 5 YEARS	OVER 5 YEARS		
Amortized cost					
Residential mortgages	\$ 1,226,616	\$ 4,712,756	\$ 6,791	\$ 5,946,163	\$ 6,329,342
Less: Allowance for expected credit losses				834	778
				5,945,329	6,328,564
Fair value through profit or loss				49,737	3,291
				\$ 5,995,066	\$ 6,331,855

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

Balance, beginning of period	\$ 778	\$ 675
Write-offs, net of recoveries	(36)	(562)
Expected credit losses	92	665
Balance, end of period	\$ 834	\$ 778

Total credit impaired loans as at March 31, 2021 were \$6,477 (December 31, 2020 – \$4,807).

Total interest income on loans was \$42.5 million (2020 – \$50.4 million). Total interest expense on obligations to securitization entities, related to securitized loans, was \$31.2 million (2020 – \$39.8 million). Gains realized on the sale of residential mortgages totalled \$2.3 million (2020 – \$1.8 million). Fair value adjustments related to mortgage banking operations totalled negative \$0.9 million (2020 – negative \$2.7 million). These amounts were included in Wealth management revenue. Wealth management revenue 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, and the hedging swap used to manage exposure to changes in variable rate investment returns, are recorded as derivatives with a negative fair value of \$0.5 million at March 31, 2021 (December 31, 2020 – negative \$1.2 million).

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
MARCH 31, 2021			
Carrying value			
NHA MBS and CMB Program	\$ 2,984,552	\$ 3,044,729	\$ (60,177)
Bank sponsored ABCP	2,673,596	2,774,780	(101,184)
Total	\$ 5,658,148	\$ 5,819,509	\$ (161,361)
Fair value	\$ 5,769,741	\$ 5,962,844	\$ (193,103)
DECEMBER 31, 2020			
Carrying value			
NHA MBS and CMB Program	\$ 3,216,158	\$ 3,307,428	\$ (91,270)
Bank sponsored ABCP	2,767,743	2,866,458	(98,715)
Total	\$ 5,983,901	\$ 6,173,886	\$ (189,985)
Fair value	\$ 6,186,410	\$ 6,345,189	\$ (158,779)

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 INVESTMENT IN ASSOCIATES

	LIFECO	CHINA AMC	NORTHLEAF	PERSONAL CAPITAL	TOTAL
MARCH 31, 2021					
Balance, beginning of period	\$ 962,388	\$ 720,282	\$ 248,498	\$ -	\$ 1,931,168
Additions	-	-	181	-	181
Dividends	(16,354)	(26,877)	-	-	(43,231)
Proportionate share of:					
Earnings (losses)	28,089	12,550	950 ⁽¹⁾	-	41,589
Other comprehensive income (loss) and other adjustments	(5,557)	(12,285)	-	-	(17,842)
Balance, end of period	\$ 968,566	\$ 693,670	\$ 249,629	\$ -	\$ 1,911,865
MARCH 31, 2020					
Balance, beginning of period	\$ 896,651	\$ 662,694	\$ -	\$ 194,537	\$ 1,753,882
Dividends	(16,354)	(13,686)	-	-	(30,040)
Proportionate share of:					
Earnings (losses)	14,305	8,856	-	(3,116)	20,045
Other comprehensive income (loss) and other adjustments	12,415	45,566	-	16,503	74,484
Balance, end of period	\$ 907,017	\$ 703,430	\$ -	\$ 207,924	\$ 1,818,371

(1) Net of Non-controlling interest of \$0.2 million, the Company's proportionate share of Northleaf's earnings was \$0.8 million.

The Company uses the equity method to account for its investments in Great-West Lifeco Inc., China Asset Management Co., Ltd. and Northleaf Capital Group Ltd. as it exercises significant influence. In 2020, the Company sold its equity interest in Personal Capital to a subsidiary of Lifeco, Empower Retirement.

NOTE 8 SHARE CAPITAL

AUTHORIZED

Unlimited number of:

- First preferred shares, issuable in series
- Second preferred shares, issuable in series
- Class 1 non-voting shares
- Common shares, no par value

ISSUED AND OUTSTANDING

	MARCH 31, 2021		MARCH 31, 2020	
	SHARES	STATED VALUE	SHARES	STATED VALUE
Common shares:				
Balance, beginning of period	238,308,284	\$ 1,598,381	238,294,090	\$ 1,597,860
Issued under Stock Option Plan	74,244	2,706	14,194	521
Balance, end of period	238,382,528	\$ 1,601,087	238,308,284	\$ 1,598,381

NOTE 9 CAPITAL MANAGEMENT

The capital management policies, procedures and activities of the Company are discussed in the Capital Resources section of the Company's Management's Discussion and Analysis contained in the First Quarter 2021 Report to Shareholders and in Note 18 to the Consolidated Financial Statements in the 2020 IGM Financial Inc. Annual Report and have not changed significantly since December 31, 2020.

NOTE 10 SHARE-BASED PAYMENTS

STOCK OPTION PLAN

	MARCH 31 2021	DECEMBER 31 2020
Common share options		
– Outstanding	13,020,192	11,930,224
– Exercisable	7,269,091	6,326,067

In the three months ended March 31, 2021 the Company granted 1,604,340 options to employees (2020 – 1,537,165). The fair value of options granted during the three months ended March 31, 2021 has been estimated at \$2.68 per option (2020 – \$1.31) using the Black-Scholes option pricing model. The closing share price at the grant date was \$34.91.

Other assumptions used in these valuation models include:

	THREE MONTHS ENDED MARCH 31	
	2021	2020
Exercise price	\$ 35.01	\$ 38.65
Risk-free interest rate	1.29%	1.32%
Expected option life	7 years	7 years
Expected volatility	23.00%	17.00%
Expected dividend yield	6.45%	6.18%

Expected volatility has been estimated based on the historic volatility of the Company's share price over seven years which is reflective of the expected option life. Options vest over a period of up to 7.5 years from the grant date and are exercisable no later than 10 years after the grant date.

NOTE 11 ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	EMPLOYEE BENEFITS	OTHER INVESTMENTS	INVESTMENT IN ASSOCIATES AND OTHER	TOTAL
MARCH 31, 2021				
Balance, beginning of period	\$ (196,949)	\$ 293,448	\$ 39,865	\$ 136,364
Other comprehensive income (loss)	83,115	801,145	(13,012)	871,248
Balance, end of period	\$ (113,834)	\$ 1,094,593	\$ 26,853	\$ 1,007,612
MARCH 31, 2020				
Balance, beginning of period	\$ (165,947)	\$ 46,363	\$ (8,118)	\$ (127,702)
Other comprehensive income (loss)	56,696	2,068	57,150	115,914
Balance, end of period	\$ (109,251)	\$ 48,431	\$ 49,032	\$ (11,788)

Amounts are recorded net of tax.

NOTE 12 RISK MANAGEMENT

The risk management policies and procedures of the Company are discussed in the Financial Instruments Risk section of the Company's Management's Discussion and Analysis contained in the First Quarter 2021 Report to Shareholders and in Note 21 to the Consolidated Financial Statements in the 2020 IGM Financial Inc. Annual Report and have not changed significantly since December 31, 2020.

NOTE 13 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair values are management's estimates and are calculated using market conditions at a specific point in time and may not reflect future fair values. The calculations are subjective in nature, involve uncertainties and are matters of significant judgment.

All financial instruments measured at fair value and those for which fair value is disclosed are classified into one of three levels that distinguish fair value measurements by the significance of the inputs used for valuation.

Fair value is determined based on the price that would be received for an asset or paid to transfer a liability in the most advantageous market, utilizing a hierarchy of three different valuation techniques, based on the lowest level input that is significant to the fair value measurement in its entirety.

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Observable inputs other than Level 1 quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or inputs other than quoted prices that are observable or corroborated by observable market data; and

Level 3 – Unobservable inputs that are supported by little or no market activity. Valuation techniques are primarily model-based.

Markets are considered inactive when transactions are not occurring with sufficient regularity. Inactive markets may be characterized by a significant decline in the volume and level of observed trading activity or through large or erratic bid/offer spreads. In those instances where traded markets are not considered sufficiently active, fair value is measured using valuation models which may utilize predominantly observable market inputs (Level 2) or may utilize predominantly non-observable market inputs (Level 3). Management considers all reasonably available information including indicative broker quotations, any available pricing for similar instruments, recent arm's length market transactions, any relevant observable market inputs, and internal model-based estimates. Management exercises judgment in determining the most appropriate inputs and the weighting ascribed to each input as well as in the selection of valuation methodologies.

Fair value is determined using the following methods and assumptions:

Other investments and other financial assets and financial liabilities are valued using quoted prices from active markets, when available. When a quoted market price is not readily available, valuation techniques are used that require assumptions related to discount rates and the timing and amount of future cash flows. Wherever possible, observable market inputs are used in the valuation techniques.

Loans classified as Level 2 are valued using market interest rates for loans with similar credit risk and maturity.

Loans classified as Level 3 are valued by discounting the expected future cash flows at prevailing market yields.

Obligations to securitization entities are valued by discounting the expected future cash flows at prevailing market yields for securities issued by these securitization entities having similar terms and characteristics.

Deposits and certificates are valued by discounting the contractual cash flows using market interest rates currently offered for deposits with similar terms and credit risks.

Long-term debt is valued using quoted prices for each debenture available in the market.

Derivative financial instruments are valued based on quoted market prices, where available, prevailing market rates for instruments with similar characteristics and maturities, or discounted cash flow analysis.

Level 1 financial instruments include exchange-traded equity investments and open-end investment fund units and other financial liabilities in instances where there are quoted prices available from active markets.

Level 2 assets and liabilities include fixed income securities, loans, derivative financial instruments, deposits and certificates and long-term debt. The fair value of fixed income securities is determined using quoted market prices or independent dealer price quotes. The fair value of derivative financial instruments and deposits and certificates are determined using valuation models, discounted cash flow methodologies, or similar techniques using primarily observable market inputs. The fair value of long-term debt is determined using indicative broker quotes.

NOTE 13 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Level 3 assets and liabilities include investments with little or no trading activity valued using broker-dealer quotes, loans, other financial assets, obligations to securitization entities and derivative financial instruments. Derivative financial instruments consist of principal reinvestment account swaps which represent the component of a swap entered into under the CMB Program whereby the Company pays coupons on Canada Mortgage Bonds and receives investment returns on the reinvestment of repaid mortgage principal. Fair value is determined by discounting the projected cashflows of the swaps. The notional amount, which is an input used to determine the fair value of the swap, is determined using an average unobservable prepayment rate of 15% which is based on historical prepayment patterns. An increase (decrease) in the assumed mortgage prepayment rate increases (decreases) the notional amount of the swap.

The following table presents the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. The table distinguishes between those financial instruments recorded at fair value and those recorded at amortized cost. The table also excludes fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. These items include cash and cash equivalents, accounts and other receivables, certain other financial assets, accounts payable and accrued liabilities, and certain other financial liabilities.

	CARRYING VALUE	FAIR VALUE			TOTAL
		LEVEL 1	LEVEL 2	LEVEL 3	
MARCH 31, 2021					
Financial assets recorded at fair value					
Other investments					
– FVTOCI	\$ 1,523,602	\$ –	\$ –	\$ 1,523,602	\$ 1,523,602
– FVTPL	55,850	55,522	–	328	55,850
Loans					
– FVTPL	49,737	–	49,737	–	49,737
Derivative financial instruments	38,433	–	33,264	5,169	38,433
Financial assets recorded at amortized cost					
Loans					
– Amortized cost	5,945,329	–	285,834	5,769,741	6,055,575
Financial liabilities recorded at fair value					
Derivative financial instruments	28,179	–	11,321	16,858	28,179
Financial liabilities recorded at amortized cost					
Deposits and certificates	1,351,809	–	1,352,111	–	1,352,111
Obligations to securitization entities	5,819,509	–	–	5,962,844	5,962,844
Long-term debt	2,100,000	–	2,493,787	–	2,493,787
DECEMBER 31, 2020					
Financial assets recorded at fair value					
Other investments					
– FVTOCI	\$ 593,273	\$ –	\$ –	\$ 593,273	\$ 593,273
– FVTPL	39,027	38,748	–	279	39,027
Loans					
– FVTPL	3,291	–	3,291	–	3,291
Derivative financial instruments	37,334	–	35,389	1,945	37,334
Financial assets recorded at amortized cost					
Loans					
– Amortized cost	6,328,564	–	346,428	6,186,410	6,532,838
Financial liabilities recorded at fair value					
Derivative financial instruments	34,514	–	11,466	23,048	34,514
Financial liabilities recorded at amortized cost					
Deposits and certificates	1,104,889	–	1,105,384	–	1,105,384
Obligations to securitization entities	6,173,886	–	–	6,345,189	6,345,189
Long-term debt	2,100,000	–	2,653,814	–	2,653,814

There were no significant transfers between Level 1 and Level 2 in 2021 and 2020.

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

The following table provides a summary of changes in Level 3 assets and liabilities measured at fair value on a recurring basis.

	BALANCE, JANUARY 1	GAINS (LOSSES) INCLUDED IN NET EARNINGS ⁽¹⁾	GAINS (LOSSES) INCLUDED IN OTHER COMPREHENSIVE INCOME	PURCHASES AND ISSUANCES	SETTLEMENTS	TRANSFERS IN/OUT	BALANCE MARCH 31
MARCH 31, 2021							
Other investments							
– FVTOCI	\$ 593,273	\$ –	\$ 926,179	\$ 4,150	\$ –	\$ –	\$ 1,523,602
– FVTPL	279	49	–	–	–	–	328
Derivative financial instruments, net	(21,103)	6,802	–	707	(1,905)	–	(11,689)
MARCH 31, 2020							
Other investments							
– FVTOCI	\$ 301,196	\$ –	\$ 2,390	\$ –	\$ –	\$ –	\$ 303,586
– FVTPL	563	(220)	–	–	–	–	343
Derivative financial instruments, net	(906)	(21,718)	–	956	(164)	–	(21,504)

(1) Included in Wealth management revenue or Operations and support expenses in the Consolidated Statements of Earnings.

NOTE 14 EARNINGS PER COMMON SHARE

	THREE MONTHS ENDED MARCH 31	
	2021	2020
Earnings		
Net earnings	\$ 202,370	\$ 160,876
Non-controlling interest	(190)	–
Net earnings available to common shareholders	\$ 202,180	\$ 160,876
Number of common shares <i>(in thousands)</i>		
Weighted average number of common shares outstanding	238,323	238,302
Add: Potential exercise of outstanding stock options ⁽¹⁾	151	14
Average number of common shares outstanding – Diluted basis	238,474	238,316
Earnings per common share <i>(in dollars)</i>		
Basic	\$ 0.85	\$ 0.68
Diluted	\$ 0.85	\$ 0.68

(1) Excludes 1,534 thousand shares for the three months ended March 31, 2021 (2020 – 2,025 thousand) related to outstanding stock options that were anti-dilutive.

NOTE 15 COVID-19

Governments worldwide have enacted emergency measures to combat the spread of a novel strain of coronavirus (COVID-19). These measures, which include the implementation of travel bans, closing of non-essential businesses, self-imposed quarantine periods and social distancing, have caused significant volatility and weakness in global equity markets and material disruption to businesses globally resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions.

The Company has implemented its business continuity plan as a result of these events, which has included moving substantially all employees and consultants to work from home and further supporting the Company's information technology infrastructure.

The duration and full impact of the COVID-19 pandemic is unknown at this time, as is the efficacy of the government and central bank interventions. As a result, it is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operating subsidiaries in future periods.

NOTE 16 SEGMENTED INFORMATION

The Company's reportable segments are:

- Wealth Management
- Asset Management
- Strategic Investments and Other

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

- **Wealth Management** – reflects the activities of operating companies that are principally focused on providing financial planning and related services to Canadian households. This segment includes the activities of IG Wealth Management and Investment Planning Counsel. These firms are retail distribution organizations who serve Canadian households through their securities dealers, mutual fund dealers and other subsidiaries licensed to distribute financial products and services. A majority of the revenues of this segment are derived from providing financial advice and distributing financial products and services to Canadian households. This segment also includes the investment management activities of these organizations, including mutual fund management and discretionary portfolio management services.
- **Asset Management** – reflects the activities of operating companies primarily focused on providing investment management services, and represents the operations of Mackenzie Investments. Investment management services are provided to a suite of investment funds that are distributed through third party dealers and financial advisors, and also through institutional advisory mandates to financial institutions, pensions and other institutional investors.
- **Strategic Investments and Other** – primarily represents the key strategic investments made by the Company, including China Asset Management Co., Ltd., Great-West Lifeco Inc., Northleaf Capital Group Ltd., Wealthsimple Financial Corp., and Portag3 Ventures LPs. Unallocated capital is also included within this segment.

Effective the first quarter of 2021, the Company expanded its reportable segment disclosures to report to Net earnings, whereas previously it was reported to Earnings before interest and taxes. The Company restated comparative figures in its segment results to conform to the current period's presentation. These changes further build on the disclosure enhancements announced by the Company in the third quarter of 2020, which were introduced to improve transparency into key drivers of each business line and help stakeholders understand and assess components of value.

NOTE 16 SEGMENTED INFORMATION *(continued)*

2021

THREE MONTHS ENDED MARCH 31	WEALTH MANAGEMENT	ASSET MANAGEMENT	STRATEGIC INVESTMENTS AND OTHER	INTERSEGMENT	TOTAL
Revenues					
Wealth management	\$ 607,997	\$ -	\$ -	\$ (4,546)	\$ 603,451
Asset management	-	259,903	-	(26,913)	232,990
Dealer compensation	-	(85,253)	-	4,544	(80,709)
Net asset management	-	174,650	-	(22,369)	152,281
Net investment income and other	1,747	1,195	252	(60)	3,134
Proportionate share of associates' earnings	-	-	41,589	-	41,589
	609,744	175,845	41,841	(26,975)	800,455
Expenses					
Advisory and business development	263,715	20,313	-	(2)	284,026
Operations and support	121,988	83,448	1,165	(62)	206,539
Sub-advisory	44,933	1,707	-	(26,911)	19,729
	430,636	105,468	1,165	(26,975)	510,294
	179,108	70,377	40,676	-	290,161
Interest expense ⁽¹⁾	22,259	5,861	-	-	28,120
Earnings before income taxes	156,849	64,516	40,676	-	262,041
Income taxes	42,078	16,525	1,068	-	59,671
	114,771	47,991	39,608	-	202,370
Non-controlling interest	-	-	(190)	-	(190)
Net earnings available to common shareholders	\$ 114,771	\$ 47,991	\$ 39,418	\$ -	\$ 202,180
Identifiable assets	\$ 8,858,552	\$ 1,478,536	\$ 3,726,177	\$ -	\$ 14,063,265
Goodwill	1,491,687	1,311,478	-	-	2,803,165
Total assets	\$ 10,350,239	\$ 2,790,014	\$ 3,726,177	\$ -	\$ 16,866,430

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

NOTE 16 SEGMENTED INFORMATION (continued)

2020

THREE MONTHS ENDED MARCH 31	WEALTH MANAGEMENT	ASSET MANAGEMENT	STRATEGIC INVESTMENTS AND OTHER	INTERSEGMENT	TOTAL
Revenues					
Wealth management	\$ 566,796	\$ -	\$ -	\$ (4,063)	\$ 562,733
Asset management	-	223,684	-	(25,242)	198,442
Dealer compensation	-	(75,423)	-	4,042	(71,381)
Net asset management	-	148,261	-	(21,200)	127,061
Net investment income and other	(1,167)	(2,210)	1,524	(46)	(1,899)
Proportionate share of associates' earnings	-	-	20,045	-	20,045
	565,629	146,051	21,569	(25,309)	707,940
Expenses					
Advisory and business development	239,282	19,838	-	(6)	259,114
Operations and support	119,582	74,718	867	(60)	195,107
Sub-advisory	40,232	2,513	-	(25,243)	17,502
	399,096	97,069	867	(25,309)	471,723
	166,533	48,982	20,702	-	236,217
Interest expense ⁽¹⁾	22,232	5,075	-	-	27,307
Earnings before income taxes	144,301	43,907	20,702	-	208,910
Income taxes	38,698	11,618	(2,282)	-	48,034
	105,603	32,289	22,984	-	160,876
Non-controlling interest	-	-	-	-	-
Net earnings available to common shareholders	\$ 105,603	\$ 32,289	\$ 22,984	\$ -	\$ 160,876
Identifiable assets	\$ 9,128,405	\$ 1,308,168	\$ 2,455,686	\$ -	\$ 12,892,259
Goodwill	1,491,687	1,168,580	-	-	2,660,267
Total assets	\$ 10,620,092	\$ 2,476,748	\$ 2,455,686	\$ -	\$ 15,552,526

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