

Interim Condensed Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF EARNINGS

(unaudited) (in thousands of Canadian dollars, except per share amounts)	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2021	2020	2021	2020
Revenues (Note 3)				
Wealth management	\$ 655,052	\$ 571,640	\$ 1,886,141	\$ 1,665,439
Asset management	263,436	207,412	744,738	596,611
Dealer compensation expense	(85,913)	(71,366)	(249,323)	(208,843)
Net asset management	177,523	136,046	495,415	387,768
Net investment income and other (Note 7)	2,500	39,501	8,109	45,104
Proportionate share of associates' earnings (Note 7)	55,903	43,434	145,645	106,858
	890,978	790,621	2,535,310	2,205,169
Expenses				
Advisory and business development	293,981	252,529	869,131	757,062
Operations and support	197,641	256,361	600,865	636,885
Sub-advisory	20,757	18,518	60,958	52,919
Interest	28,636	27,911	85,252	82,688
	541,015	555,319	1,616,206	1,529,554
Earnings before income taxes	349,963	235,302	919,104	675,615
Income taxes	78,382	44,389	207,407	140,284
Net earnings	271,581	190,913	711,697	535,331
Non-controlling interest (Note 7)	(733)	–	(1,280)	–
Net earnings available to common shareholders	\$ 270,848	\$ 190,913	\$ 710,417	\$ 535,331
Earnings per share (in dollars) (Note 14)				
– Basic	\$ 1.13	\$ 0.80	\$ 2.98	\$ 2.25
– Diluted	\$ 1.13	\$ 0.80	\$ 2.97	\$ 2.25

(See accompanying notes to interim condensed consolidated financial statements)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited) (in thousands of Canadian dollars)	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2021	2020	2021	2020
Net earnings	\$ 271,581	\$ 190,913	\$ 711,697	\$ 535,331
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 \$39, \$(39,457), \$(125,320), and \$(39,495)	(233)	252,811	802,992	253,038
Employee benefits				
Net actuarial gains (losses), net of tax of \$(7,379), \$721, \$(38,616) and \$5,230	19,948	(1,950)	104,412	(14,137)
Investment in associates – employee benefits and other				
Other comprehensive income (loss), net of tax of nil	910	(16,945)	22,940	(2,748)
Items that may be reclassified subsequently to Net earnings				
Investment in associates and other				
Other comprehensive income (loss), net of tax of \$(2,160), \$(1,126), \$(3,302) and \$(1,500)	10,225	(6,980)	(17,981)	48,514
	30,850	226,936	912,363	284,667
Total comprehensive income	\$ 302,431	\$ 417,849	\$ 1,624,060	\$ 819,998

(See accompanying notes to interim condensed consolidated financial statements)

CONSOLIDATED BALANCE SHEETS

(unaudited)
(in thousands of Canadian dollars)

SEPTEMBER 30
2021

DECEMBER 31
2020

Assets

Cash and cash equivalents	\$ 1,123,052	\$ 771,585
Other investments (Note 4)	1,338,841	632,300
Client funds on deposit	1,642,271	1,063,442
Accounts and other receivables	418,104	444,458
Income taxes recoverable	24,124	30,366
Loans (Note 5)	5,553,704	6,331,855
Derivative financial instruments	44,910	37,334
Other assets	68,463	49,782
Investment in associates (Note 7)	1,999,438	1,931,168
Capital assets	320,445	329,690
Capitalized sales commissions	302,259	231,085
Deferred income taxes	27,277	84,624
Intangible assets	1,330,404	1,321,590
Goodwill	2,802,066	2,803,075
	\$ 16,995,358	\$ 16,062,354

Liabilities

Accounts payable and accrued liabilities	\$ 530,886	\$ 486,575
Income taxes payable	64,815	7,146
Derivative financial instruments	19,042	34,514
Deposits and certificates	1,640,991	1,104,889
Other liabilities	361,130	536,141
Obligations to securitization entities (Note 6)	5,268,206	6,173,886
Lease obligations	197,976	188,334
Deferred income taxes	512,323	388,079
Long-term debt	2,100,000	2,100,000
	10,695,369	11,019,564

Shareholders' Equity

Share capital		
Common shares	1,633,504	1,598,381
Contributed surplus	52,287	51,663
Retained earnings	3,721,436	3,207,469
Accumulated other comprehensive income (loss)	842,077	136,364
Non-controlling interest	50,685	48,913
	6,299,989	5,042,790
	\$ 16,995,358	\$ 16,062,354

These interim condensed consolidated financial statements were approved and authorized for issuance by the Board of Directors on November 4, 2021.

(See accompanying notes to interim condensed consolidated financial statements)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

NINE MONTHS ENDED SEPTEMBER 30

<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	-	-	711,697	-	-	711,697
Other comprehensive income (loss), net of tax	-	-	-	912,363	-	912,363
Total comprehensive income	-	-	711,697	912,363	-	1,624,060
Common shares						
Issued under stock option plan	35,123	-	-	-	-	35,123
Stock options						
Current period expense	-	2,833	-	-	-	2,833
Exercised	-	(2,209)	-	-	-	(2,209)
Common share dividends	-	-	(402,979)	-	-	(402,979)
Non-controlling interest	-	-	(1,280)	-	1,772	492
Transfer out of fair value through other comprehensive income <i>(Note 4)</i>	-	-	206,650	(206,650)	-	-
Other	-	-	(121)	-	-	(121)
Balance, end of period	\$ 1,633,504	\$ 52,287	\$ 3,721,436	\$ 842,077	\$ 50,685	\$ 6,299,989
2020						
Balance, beginning of period	\$ 1,597,860	\$ 48,677	\$ 2,980,260	\$ (127,702)	\$ -	\$ 4,499,095
Net earnings	-	-	535,331	-	-	535,331
Other comprehensive income (loss), net of tax	-	-	-	284,667	-	284,667
Total comprehensive income	-	-	535,331	284,667	-	819,998
Common shares						
Issued under stock option plan	521	-	-	-	-	521
Stock options						
Current period expense	-	2,196	-	-	-	2,196
Exercised	-	(24)	-	-	-	(24)
Common share dividends	-	-	(402,145)	-	-	(402,145)
Other	-	-	(2,413)	-	-	(2,413)
Balance, end of period	\$ 1,598,381	\$ 50,849	\$ 3,111,033	\$ 156,965	\$ -	\$ 4,917,228

(See accompanying notes to interim condensed consolidated financial statements)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited) (in thousands of Canadian dollars)	NINE MONTHS ENDED SEPTEMBER 30	
	2021	2020
Operating activities		
Earnings before income taxes	\$ 919,104	\$ 675,615
Income taxes paid	(126,472)	(131,859)
Adjustments to determine net cash from operating activities		
Capitalized sales commission amortization	40,530	25,788
Capitalized sales commissions paid	(111,704)	(81,484)
Amortization of capital, intangible and other assets	74,432	62,000
Proportionate share of associates' earnings, net of dividends received	(69,707)	(44,110)
Pension and other post-employment benefits	12,459	(1,795)
Restructuring provisions and other	-	74,460
Gain on sale of Personal Capital Corporation	-	(37,232)
Changes in operating assets and liabilities and other	(77,871)	(38,711)
Cash from operating activities before restructuring provision payments	660,771	502,672
Restructuring provision cash payments	(46,339)	(5,067)
	614,432	497,605
Financing activities		
Net decrease in deposits and certificates	(3,693)	(4,833)
Increase in obligations to securitization entities	1,158,187	1,147,867
Repayments of obligations to securitization entities and other	(1,979,586)	(1,569,728)
Repayments of lease obligations	(17,464)	(18,869)
Issue of common shares	32,914	498
Common share dividends paid	(402,506)	(402,137)
	(1,212,148)	(847,202)
Investing activities		
Purchase of other investments	(85,548)	(26,511)
Proceeds from the sale of other investments	310,768	21,921
Increase in loans	(1,402,262)	(1,333,880)
Repayment of loans and other	2,181,770	1,799,511
Net additions to capital assets	(8,012)	(27,512)
Net cash used in additions to intangible assets	(47,533)	(42,549)
Proceeds from sale of Personal Capital Corporation	-	231,005
	949,183	621,985
Increase in cash and cash equivalents	351,467	272,388
Cash and cash equivalents, beginning of period	771,585	720,005
Cash and cash equivalents, end of period	\$ 1,123,052	\$ 992,393
Cash	\$ 320,555	\$ 57,153
Cash equivalents	802,497	935,240
	\$ 1,123,052	\$ 992,393
Supplemental disclosure of cash flow information related to operating activities		
Interest and dividends received	\$ 192,359	\$ 205,543
Interest paid	\$ 167,864	\$ 195,774

(See accompanying notes to interim condensed consolidated financial statements)

Notes to the Interim Condensed Consolidated Financial Statements

September 30, 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 SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2021	2020	2021	2020
Advisory fees	\$ 359,688	\$ 311,194	\$ 1,032,371	\$ 908,153
Product and program fees	248,309	214,861	708,253	626,430
	607,997	526,055	1,740,624	1,534,583
Redemption fees	1,836	3,757	8,288	12,845
Other financial planning revenues	45,219	41,828	137,229	118,011
Wealth management	655,052	571,640	1,886,141	1,665,439
Asset management	263,436	207,412	744,738	596,611
Dealer compensation expense	(85,913)	(71,366)	(249,323)	(208,843)
Net asset management	177,523	136,046	495,415	387,768
Net revenues from contracts with customers	\$ 832,575	\$ 707,686	\$ 2,381,556	\$ 2,053,207

Wealth management revenue is earned by 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 include 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

	SEPTEMBER 30, 2021		DECEMBER 31, 2020	
	COST	FAIR VALUE	COST	FAIR VALUE
Fair value through other comprehensive income (FVTOCI)				
Corporate investments	\$ 223,950	\$ 1,255,219	\$ 251,417	\$ 593,273
Fair value through profit or loss (FVTPL)				
Equity securities	1,476	1,701	1,499	1,513
Proprietary investment funds	76,905	81,921	35,254	37,514
	78,381	83,622	36,753	39,027
	\$ 302,331	\$ 1,338,841	\$ 288,170	\$ 632,300

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 \$750 million equity fundraising, valuing IGM Financial Inc.'s investment in Wealthsimple at \$1,448 million. As part of the transaction, IGM Financial Inc. disposed of a portion of its investment for proceeds of \$294 million (\$258 million after-tax).

In the second quarter of 2021, a realized gain of \$239 million (\$207 million after-tax) was transferred from Accumulated other comprehensive income to Other retained earnings.

The Company continues to be the largest shareholder in Wealthsimple with an interest of 23% and fair value of \$1,153 million.

NOTE 5 LOANS

	CONTRACTUAL MATURITY			SEPTEMBER 30 2021 TOTAL	DECEMBER 31 2020 TOTAL
	1 YEAR OR LESS	1 - 5 YEARS	OVER 5 YEARS		
Amortized cost					
Residential mortgages	\$ 1,150,336	\$ 4,394,846	\$ 5,245	\$ 5,550,427	\$ 6,329,342
Less: Allowance for expected credit losses				723	778
				5,549,704	6,328,564
Fair value through profit or loss				4,000	3,291
				\$ 5,553,704	\$ 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	(293)	(562)
Expected credit losses	238	665
Balance, end of period	\$ 723	\$ 778

Total credit impaired loans as at September 30, 2021 were \$4,509 (December 31, 2020 – \$4,807).

Total interest income on loans was \$119.8 million (2020 – \$144.8 million). Total interest expense on obligations to securitization entities, related to securitized loans, was \$85.9 million (2020 – \$115.0 million). Gains realized on the sale of residential mortgages totalled \$3.4 million (2020 – \$6.1 million). Fair value adjustments related to mortgage banking operations totalled \$1.4 million (2020 – negative \$4.1 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 fair value of \$4.6 million at September 30, 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
SEPTEMBER 30, 2021			
Carrying value			
NHA MBS and CMB Program	\$ 2,744,556	\$ 2,755,305	\$ (10,749)
Bank sponsored ABCP	2,481,289	2,512,901	(31,612)
Total	\$ 5,225,845	\$ 5,268,206	\$ (42,361)
Fair value	\$ 5,298,280	\$ 5,390,306	\$ (92,026)
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
SEPTEMBER 30, 2021					
Balance, beginning of period	\$ 962,388	\$ 720,282	\$ 248,498	\$ –	\$ 1,931,168
Additions	–	–	449	–	449
Dividends	(49,061)	(26,877)	–	–	(75,938)
Proportionate share of:					
Earnings (losses)	94,635	44,609	6,401 ⁽¹⁾	–	145,645
Other comprehensive income (loss) and other adjustments	(6,479)	4,593	–	–	(1,886)
Balance, end of period	\$ 1,001,483	\$ 742,607	\$ 255,348	\$ –	\$ 1,999,438
SEPTEMBER 30, 2020					
Balance, beginning of period	\$ 896,651	\$ 662,694	\$ –	\$ 194,537	\$ 1,753,882
Dividends	(49,062)	(13,686)	–	–	(62,748)
Proportionate share of:					
Earnings (losses)	81,850	29,648	–	(4,640)	106,858
Other comprehensive income (loss) and other adjustments	13,413	34,313	–	8,817	56,543
Disposition	–	–	–	(198,714)	(198,714)
Balance, end of period	\$ 942,852	\$ 712,969	\$ –	\$ –	\$ 1,655,821

(1) The Company's proportionate share of Northleaf's earnings net of Non-controlling interest was \$5,121.

The Company uses the equity method to account for its investments in Great-West Lifeco Inc. (Lifeco), China Asset Management Co., Ltd. (China AMC) and Northleaf Capital Group Ltd. (Northleaf) as it exercises significant influence.

During the third quarter of 2020, the Company sold its equity interest in Personal Capital Corporation (Personal Capital) to a subsidiary of Lifeco, Empower Retirement, for proceeds of \$232.8 million (USD \$176.2 million) and up to an additional USD \$24.6 million in consideration subject to Personal Capital achieving certain target growth objectives. As a result of the sale, the Company derecognized its investment in Personal Capital and recorded an accounting gain of \$37.2 million (\$31.4 million net of tax) in Net investment income and other.

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

	SEPTEMBER 30, 2021		SEPTEMBER 30, 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	841,388	35,123	14,194	521
Balance, end of period	239,149,672	\$ 1,633,504	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 Third 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

	SEPTEMBER 30 2021	DECEMBER 31 2020
Common share options		
– Outstanding	12,249,010	11,930,224
– Exercisable	6,711,635	6,326,067

In the third quarter of 2021, there were 32,695 options granted to employees (2020 – 567,200). In the nine months ended September 30, 2021, the Company granted 1,648,345 options to employees (2020 – 2,104,365). The weighted-average fair value of options granted during the nine months ended September 30, 2021, has been estimated at \$2.73 per option (2020 – \$1.43) using the Black-Scholes option pricing model. The weighted-average closing share price at the grant dates was \$35.19.

Other assumptions used in these valuation models include:

	NINE MONTHS ENDED SEPTEMBER 30	
	2021	2020
Exercise price	\$ 35.29	\$ 36.82
Risk-free interest rate	1.29%	1.11%
Expected option life	7 years	7 years
Expected volatility	23.00%	18.62%
Expected dividend yield	6.41%	6.45%

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
SEPTEMBER 30, 2021				
Balance, beginning of period	\$ (196,949)	\$ 293,448	\$ 39,865	\$ 136,364
Other comprehensive income (loss)	104,412	802,992	4,959	912,363
Transfer out of FVTOCI	–	(206,650)	–	(206,650)
Balance, end of period	\$ (92,537)	\$ 889,790	\$ 44,824	\$ 842,077
SEPTEMBER 30, 2020				
Balance, beginning of period	\$ (165,947)	\$ 46,363	\$ (8,118)	\$ (127,702)
Other comprehensive income (loss)	(14,137)	253,038	45,766	284,667
Balance, end of period	\$ (180,084)	\$ 299,401	\$ 37,648	\$ 156,965

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 Third 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.

NOTE 13 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

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

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

	CARRYING VALUE	FAIR VALUE			TOTAL
		LEVEL 1	LEVEL 2	LEVEL 3	
SEPTEMBER 30, 2021					
Financial assets recorded at fair value					
Other investments					
– FVTOCI	\$ 1,255,219	\$ –	\$ –	\$ 1,255,219	\$ 1,255,219
– FVTPL	83,622	73,467	9,887	268	83,622
Loans					
– FVTPL	4,000	–	4,000	–	4,000
Derivative financial instruments	44,910	–	38,816	6,094	44,910
Financial assets recorded at amortized cost					
Loans					
– Amortized cost	5,549,704	–	332,308	5,298,280	5,630,588
Financial liabilities recorded at fair value					
Derivative financial instruments	19,042	–	8,220	10,822	19,042
Financial liabilities recorded at amortized cost					
Deposits and certificates	1,640,991	–	1,641,273	–	1,641,273
Obligations to securitization entities	5,268,206	–	–	5,390,306	5,390,306
Long-term debt	2,100,000	–	2,499,081	–	2,499,081
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 SEPTEMBER 30
SEPTEMBER 30, 2021							
Other investments							
– FVTOCI	\$ 593,273	\$ –	\$ 928,312	\$ 9,062	\$ –	\$ (275,428) ⁽²⁾	\$ 1,255,219
– FVTPL	279	20	–	–	31	–	268
Derivative financial instruments, net	(21,103)	8,817	–	1,877	(5,681)	–	(4,728)
SEPTEMBER 30, 2020							
Other investments							
– FVTOCI	\$ 301,196	\$ –	\$ 292,532	\$ 4,371	\$ –	\$ –	\$ 598,099
– FVTPL	563	(228)	–	–	–	–	335
Derivative financial instruments, net	(906)	(26,649)	–	1,466	(3,382)	–	(22,707)

(1) Included in Wealth management revenue or Net investment income and other in the Consolidated Statements of Earnings.

(2) Related to the disposition of a portion of IGM Financial Inc.'s investment in Wealthsimple (Note 4).

NOTE 14 EARNINGS PER COMMON SHARE

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2021	2020	2021	2020
Earnings				
Net earnings	\$ 271,581	\$ 190,913	\$ 711,697	\$ 535,331
Non-controlling interest	(733)	–	(1,280)	–
Net earnings available to common shareholders	\$ 270,848	\$ 190,913	\$ 710,417	\$ 535,331
Number of common shares <i>(in thousands)</i>				
Weighted average number of common shares outstanding	238,970	238,308	238,642	238,306
Add: Potential exercise of outstanding stock options ⁽¹⁾	1,605	–	914	–
Average number of common shares outstanding – diluted basis	240,575	238,308	239,556	238,306
Earnings per common share <i>(in dollars)</i>				
– Basic	\$ 1.13	\$ 0.80	\$ 2.98	\$ 2.25
– Diluted	\$ 1.13	\$ 0.80	\$ 2.97	\$ 2.25

(1) Excludes 158 thousand shares for the three months ended September 30, 2021 (2020 – 3,023 thousand) related to outstanding stock options that were anti-dilutive.

Excludes 420 thousand shares for the nine months ended September 30, 2021 (2020 – 3,056 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 in global equity markets and material disruption to global businesses. 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 distribution of vaccines has resulted in the easing of restrictions in many economies and has contributed to strong gains in certain economic sectors during 2021. However, there is uncertainty regarding the effectiveness of vaccines against new variants of the virus, and this contributes towards uncertainty of the timing of a full economic recovery. 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 January 1, 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 SEPTEMBER 30	WEALTH MANAGEMENT	ASSET MANAGEMENT	STRATEGIC INVESTMENTS AND OTHER	INTERSEGMENT	TOTAL
Revenues					
Wealth management	\$ 659,982	\$ -	\$ -	\$ (4,930)	\$ 655,052
Asset management	-	293,109	-	(29,673)	263,436
Dealer compensation	-	(90,834)	-	4,921	(85,913)
Net asset management	-	202,275	-	(24,752)	177,523
Net investment income and other	(226)	2,143	646	(63)	2,500
Proportionate share of associates' earnings	-	-	55,903	-	55,903
	659,756	204,418	56,549	(29,745)	890,978
Expenses					
Advisory and business development	274,796	19,194	-	(9)	293,981
Operations and support	113,271	83,235	1,197	(62)	197,641
Sub-advisory	48,730	1,701	-	(29,674)	20,757
	436,797	104,130	1,197	(29,745)	512,379
	222,959	100,288	55,352	-	378,599
Interest expense ⁽¹⁾	22,695	5,941	-	-	28,636
Earnings before income taxes	200,264	94,347	55,352	-	349,963
Income taxes	53,486	23,359	1,537	-	78,382
	146,778	70,988	53,815	-	271,581
Non-controlling interest	-	-	(733)	-	(733)
Net earnings available to common shareholders	\$ 146,778	\$ 70,988	\$ 53,082	\$ -	\$ 270,848

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

NOTE 16 SEGMENTED INFORMATION (continued)

2020

THREE MONTHS ENDED SEPTEMBER 30	WEALTH MANAGEMENT	ASSET MANAGEMENT	STRATEGIC INVESTMENTS AND OTHER	INTERSEGMENT	TOTAL SEGMENT	ADJUSTMENTS ⁽²⁾	TOTAL
Revenues							
Wealth management	\$ 575,798	\$ -	\$ -	\$ (4,158)	\$ 571,640	\$ -	\$ 571,640
Asset management	-	233,142	-	(25,730)	207,412	-	207,412
Dealer compensation	-	(75,508)	-	4,142	(71,366)	-	(71,366)
Net asset management	-	157,634	-	(21,588)	136,046	-	136,046
Net investment income and other	615	1,087	612	(45)	2,269	37,232	39,501
Proportionate share of associates' earnings	-	-	43,434	-	43,434	-	43,434
	576,413	158,721	44,046	(25,791)	753,389	37,232	790,621
Expenses							
Advisory and business development	236,461	16,070	-	(2)	252,529	-	252,529
Operations and support	111,224	69,600	1,137	(60)	181,901	74,460	256,361
Sub-advisory	41,705	2,542	-	(25,729)	18,518	-	18,518
	389,390	88,212	1,137	(25,791)	452,948	74,460	527,408
	187,023	70,509	42,909	-	300,441	(37,228)	263,213
Interest expense ⁽¹⁾	22,696	5,215	-	-	27,911	-	27,911
Earnings before income taxes	164,327	65,294	42,909	-	272,530	(37,228)	235,302
Income taxes	43,299	16,946	(1,882)	-	58,363	(13,974)	44,389
	\$ 121,028	\$ 48,348	\$ 44,791	\$ -	214,167	(23,254)	190,913
Gain on sale of Personal Capital					31,387	(31,387)	-
Restructuring and other charges					(54,641)	54,641	-
Net earnings available to common shareholders					\$ 190,913	\$ -	\$ 190,913

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

(2) Gain on sale of Personal Capital and Restructuring and other charges, as well as the tax related to these items, 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.

NOTE 16 SEGMENTED INFORMATION *(continued)*

2021

NINE MONTHS ENDED SEPTEMBER 30	WEALTH MANAGEMENT	ASSET MANAGEMENT	STRATEGIC INVESTMENTS AND OTHER	INTERSEGMENT	TOTAL
Revenues					
Wealth management	\$ 1,900,417	\$ -	\$ -	\$ (14,276)	\$ 1,886,141
Asset management	-	829,290	-	(84,552)	744,738
Dealer compensation	-	(263,583)	-	14,260	(249,323)
Net asset management	-	565,707	-	(70,292)	495,415
Net investment income and other	2,194	4,507	1,595	(187)	8,109
Proportionate share of associates' earnings	-	-	145,645	-	145,645
	1,902,611	570,214	147,240	(84,755)	2,535,310
Expenses					
Advisory and business development	804,547	64,600	-	(16)	869,131
Operations and support	350,226	247,268	3,559	(188)	600,865
Sub-advisory	140,205	5,304	-	(84,551)	60,958
	1,294,978	317,172	3,559	(84,755)	1,530,954
Interest expense ⁽¹⁾	607,633	253,042	143,681	-	1,004,356
	67,540	17,712	-	-	85,252
Earnings before income taxes	540,093	235,330	143,681	-	919,104
Income taxes	144,197	59,834	3,376	-	207,407
	395,896	175,496	140,305	-	711,697
Non-controlling interest	-	-	(1,280)	-	(1,280)
Net earnings available to common shareholders	\$ 395,896	\$ 175,496	\$ 139,025	\$ -	\$ 710,417
Identifiable assets					
Goodwill	\$ 8,775,093	\$ 1,489,856	\$ 3,928,343	\$ -	\$ 14,193,292
	1,491,687	1,310,379	-	-	2,802,066
Total assets	\$ 10,266,780	\$ 2,800,235	\$ 3,928,343	\$ -	\$ 16,995,358

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

NOTE 16 SEGMENTED INFORMATION (continued)

2020

NINE MONTHS ENDED SEPTEMBER 30	WEALTH MANAGEMENT	ASSET MANAGEMENT	STRATEGIC INVESTMENTS AND OTHER	INTERSEGMENT	TOTAL SEGMENT	ADJUSTMENTS ⁽²⁾	TOTAL
Revenues							
Wealth management	\$ 1,677,528	\$ -	\$ -	\$ (12,089)	\$ 1,665,439	\$ -	\$ 1,665,439
Asset management	-	671,439	-	(74,828)	596,611	-	596,611
Dealer compensation	-	(220,908)	-	12,065	(208,843)	-	(208,843)
Net asset management	-	450,531	-	(62,763)	387,768	-	387,768
Net investment income and other	1,255	1,842	4,912	(137)	7,872	37,232	45,104
Proportionate share of associates' earnings	-	-	106,858	-	106,858	-	106,858
	1,678,783	452,373	111,770	(74,989)	2,167,937	37,232	2,205,169
Expenses							
Advisory and business development	705,163	51,909	-	(10)	757,062	-	757,062
Operations and support	340,412	219,024	3,140	(151)	562,425	74,460	636,885
Sub-advisory	120,502	7,245	-	(74,828)	52,919	-	52,919
	1,166,077	278,178	3,140	(74,989)	1,372,406	74,460	1,446,866
Interest expense ⁽¹⁾	512,706	174,195	108,630	-	795,531	(37,228)	758,303
	67,225	15,463	-	-	82,688	-	82,688
Earnings before income taxes	445,481	158,732	108,630	-	712,843	(37,228)	675,615
Income taxes	118,396	41,491	(5,629)	-	154,258	(13,974)	140,284
	\$ 327,085	\$ 117,241	\$ 114,259	\$ -	558,585	(23,254)	535,331
Gain on sale of Personal Capital					31,387	(31,387)	-
Restructuring and other charges					(54,641)	54,641	-
Net earnings available to common shareholders					\$ 535,331	\$ -	\$ 535,331
Identifiable assets	\$ 9,020,730	\$ 1,345,287	\$ 2,836,847	\$ -	\$ 13,202,864	-	\$ 13,202,864
Goodwill	1,491,687	1,168,580	-	-	2,660,267	-	2,660,267
Total assets	\$ 10,512,417	\$ 2,513,867	\$ 2,836,847	\$ -	\$ 15,863,131	-	\$ 15,863,131

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

(2) Gain on sale of Personal Capital and Restructuring and other charges, as well as the tax related to these items, 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.