Consolidated Financial Statements

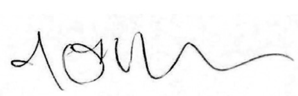
Management's Responsibility for Financial Reporting

The Consolidated Financial Statements of IGM Financial Inc. have been prepared by Management, which is responsible for the integrity, objectivity and reliability of the information presented, including selecting appropriate accounting principles and making judgments and estimates. These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards. Financial information presented elsewhere in this Annual Report is consistent with that in the Consolidated Financial Statements for comparable periods.

Systems of internal control and supporting procedures are maintained to provide reasonable assurance of the reliability of financial information and the safeguarding of all assets controlled by the Company. These controls and supporting procedures include quality standards in hiring and training employees, the establishment of organizational structures providing a well-defined division of responsibilities and accountability for performance, and the communication of policies and guidelines through the organization. Internal controls are reviewed and evaluated extensively by the internal auditor and are subject to scrutiny by the external auditors.

Ultimate responsibility for the Consolidated Financial Statements rests with the Board of Directors. The Board is assisted in discharging this responsibility by an Audit Committee, consisting entirely of independent directors. This Committee reviews the Consolidated Financial Statements and recommends them for approval by the Board. In addition, the Audit Committee reviews the recommendations of the internal auditor and the external auditors for improvements in internal control and the action of Management to implement such recommendations. In carrying out its duties and responsibilities, the Committee meets regularly with Management and with both the internal auditor and the external auditors to review the scope and timing of their respective audits, to review their findings and to satisfy itself that their responsibilities have been properly discharged.

Deloitte LLP, independent auditors appointed by the shareholders, have examined the Consolidated Financial Statements of the Company in accordance with Canadian generally accepted auditing standards, and have expressed their opinion upon the completion of their examination in their Report to the Shareholders. The external auditors have full and free access to the Audit Committee to discuss their audit and related findings.



James O'Sullivan
President and Chief Executive Officer

Luke Gould
Executive Vice-President and Chief Financial Officer

Independent Auditor's Report

To the Shareholders of IGM Financial Inc.

OPINION

We have audited the consolidated financial statements of IGM Financial Inc. (the "Company"), which comprise the consolidated balance sheets as at December 31, 2021 and 2020, and the consolidated statements of earnings, comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

BASIS FOR OPINION

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

KEY AUDIT MATTERS

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Other investments – Wealthsimple Financial Corp. ("Wealthsimple") — Refer to Notes 2, 5 and 24 to the financial statements

Key Audit Matter Description

The Company's Other investments balance includes an equity investment in Wealthsimple, which is recognized at fair value through other comprehensive income. On May 3, 2021, Wealthsimple announced a $750 million equity fundraising, implying a fair value of the Company's investment in Wealthsimple of $1,153 million ("May 2021 transaction"). Given that Wealthsimple is a private company, significant management judgment is required in the determination of the fair value of the investment as at December 31, 2021. In determining fair value, recent arm's length market transactions, a market approach using observable valuation metrics, including revenue multiples, and discounted cash flow analysis were considered. Significant management judgment was required in determining the most appropriate valuation approaches and the related revenue multiples applied in the market approach. Management determined that the fair value was $1,153 million as at December 31, 2021.

Auditing the fair value of Wealthsimple as at December 31, 2021 required a high degree of auditor judgment which resulted in an increased extent of audit effort, including the use of fair value specialists.

How the Key Audit Matter Was Addressed in the Audit

With the assistance of fair value specialists, our audit procedures related to the fair value of Wealthsimple included the following, among others:

- We obtained the underlying source documents of the May 2021 transaction and analyzed the terms and determined if the transaction represented an appropriate estimate of fair value at the date of the transaction.
- We independently performed a retrospective evaluation and analyzed Wealthsimple's financial performance between the May 2021 transaction and December 31, 2021 using private investment financial information provided to the Company by Wealthsimple in order to determine the impact, if any, on the fair value determination as at December 31, 2021.
- We evaluated relevant internal and external information, including industry information, and assessed the reasonability of unobservable market inputs in instances where these inputs were more subjective.
- We evaluated other available information and considered whether this information corroborated or contradicted the Company's conclusions.
- We evaluated the appropriateness of fair value approaches and developed independent fair value estimates using an independent market approach by using private investment financial information provided to the Company by Wealthsimple, and analyzed comparable public company multiples and transactions.

Independent Auditor's Report *(continued)*

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

Independent Auditor's Report *(continued)*

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte LLP

Chartered Professional Accountants
Winnipeg, Manitoba
February 10, 2022

CONSOLIDATED STATEMENTS OF EARNINGS

FOR THE YEARS ENDED DECEMBER 31
(in thousands of Canadian dollars, except per share amounts)

	2021	2020
Revenues		
Wealth management *(Note 3)*	$ 2,553,600	$ 2,259,576
Asset management	1,011,456	812,931
Dealer compensation expense	(335,970)	(283,163)
Net asset management *(Note 3)*	675,486	529,768
Net investment income and other *(Notes 9 and 30)*	22,542	78,209
Proportionate share of associates' earnings *(Note 9)*	196,367	150,429
	3,447,995	3,017,982
Expenses *(Note 4)*		
Advisory and business development	1,178,009	1,040,146
Operations and support	806,380	830,650
Sub-advisory	82,020	71,213
Interest *(Note 17)*	113,936	110,597
	2,180,345	2,052,606
Earnings before income taxes	1,267,650	965,376
Income taxes *(Note 16)*	286,763	200,770
Net earnings	980,887	764,606
Non-controlling interest *(Note 9)*	(1,938)	(198)
Net earnings available to common shareholders	$ 978,949	$ 764,408
Earnings per share *(in dollars) (Note 25)*		
– Basic	$ 4.10	$ 3.21
– Diluted	$ 4.08	$ 3.21

(See accompanying notes to consolidated financial statements.)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31 *(in thousands of Canadian dollars)*	2021	2020
Net earnings	$ 980,887	$ 764,606
Other comprehensive income (loss), net of tax		
Items that will not be reclassified to Net earnings		
Fair value through other comprehensive income investments		
Other comprehensive income (loss) *(Note 5), net of tax of $(130,242) and $(38,565)*	834,519	247,085
Employee benefits		
Net actuarial gains (losses), *net of tax of $(37,466) and $11,461*	101,283	(31,002)
Investment in associates – employee benefits and other		
Other comprehensive income (loss), *net of tax of nil*	23,519	(2,906)
Items that may be reclassified subsequently to Net earnings		
Investment in associates and other		
Other comprehensive income (loss), *net of tax of $(4,284) and $(1,900)*	(3,787)	50,889
	955,534	264,066
Total comprehensive income	$ 1,936,421	$ 1,028,672

(See accompanying notes to consolidated financial statements.)

CONSOLIDATED BALANCE SHEETS

AS AT DECEMBER 31 *(in thousands of Canadian dollars)*	2021	2020
Assets		
Cash and cash equivalents	$ 1,292,446	$ 771,585
Other investments *(Note 5)*	1,398,023	632,300
Client funds on deposit	2,238,624	1,063,442
Accounts and other receivables	387,157	444,458
Income taxes recoverable	17,344	30,366
Loans *(Note 6)*	5,353,842	6,331,855
Derivative financial instruments *(Note 23)*	41,172	37,334
Other assets *(Note 8)*	54,298	49,782
Investment in associates *(Note 9)*	2,048,255	1,931,168
Capital assets *(Note 10)*	315,964	329,690
Capitalized sales commissions *(Note 11)*	325,424	231,085
Deferred income taxes *(Note 16)*	29,269	84,624
Intangible assets *(Note 12)*	1,356,704	1,321,590
Goodwill *(Note 12)*	2,802,066	2,803,075
	$ 17,660,588	$ 16,062,354
Liabilities		
Accounts payable and accrued liabilities	$ 553,429	$ 486,575
Income taxes payable	104,113	7,146
Derivative financial instruments *(Note 23)*	17,773	34,514
Deposits and certificates *(Note 13)*	2,220,274	1,104,889
Other liabilities *(Note 14)*	382,466	536,141
Obligations to securitization entities *(Note 7)*	5,057,917	6,173,886
Lease obligations	197,969	188,334
Deferred income taxes *(Note 16)*	525,476	388,079
Long-term debt *(Note 17)*	2,100,000	2,100,000
	11,159,417	11,019,564
Shareholders' Equity		
Share capital *(Note 18)*		
Common shares	1,658,680	1,598,381
Contributed surplus	51,069	51,663
Retained earnings	3,856,996	3,207,469
Accumulated other comprehensive income (loss) *(Note 21)*	883,083	136,364
Non-controlling interest *(Note 9)*	51,343	48,913
	6,501,171	5,042,790
	$ 17,660,588	$ 16,062,354

These financial statements were approved and authorized for issuance by the Board of Directors on February 10, 2022.

James O'Sullivan
Director

John McCallum
Director

(See accompanying notes to consolidated financial statements.)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(in thousands of Canadian dollars)	SHARE CAPITAL – COMMON SHARES *(Note 18)*	CONTRIBUTED SURPLUS	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) *(Note 21)*	NON-CONTROLLING INTEREST	TOTAL SHAREHOLDERS' EQUITY
2021						
Balance, beginning of year	**$ 1,598,381**	**$ 51,663**	**$ 3,207,469**	**$ 136,364**	**$ 48,913**	**$ 5,042,790**
Net earnings	**–**	**–**	**980,887**	**–**	**–**	**980,887**
Other comprehensive income (loss), net of tax	**–**	**–**	**–**	**955,534**	**–**	**955,534**
Total comprehensive income	**–**	**–**	**980,887**	**955,534**	**–**	**1,936,421**
Common shares						
Issued under stock option plan	**60,299**	**–**	**–**	**–**	**–**	**60,299**
Stock options						
Current period expense	**–**	**3,802**	**–**	**–**	**–**	**3,802**
Exercised	**–**	**(4,396)**	**–**	**–**	**–**	**(4,396)**
Common share dividends	**–**	**–**	**(537,795)**	**–**	**–**	**(537,795)**
Non-controlling interest	**–**	**–**	**(1,938)**	**–**	**2,430**	**492**
Transfer out of fair value through other comprehensive income *(Note 5)*	**–**	**–**	**208,815**	**(208,815)**	**–**	**–**
Other	**–**	**–**	**(442)**	**–**	**–**	**(442)**
Balance, end of year	**$ 1,658,680**	**$ 51,069**	**$ 3,856,996**	**$ 883,083**	**$ 51,343**	**$ 6,501,171**
2020						
Balance, beginning of year	$ 1,597,860	$ 48,677	$ 2,980,260	$ (127,702)	$ –	$ 4,499,095
Net earnings	–	–	764,606	–	–	764,606
Other comprehensive income (loss), net of tax	–	–	–	264,066	–	264,066
Total comprehensive income	–	–	764,606	264,066	–	1,028,672
Common shares						
Issued under stock option plan	521	–	–	–	–	521
Stock options						
Current period expense	–	3,010	–	–	–	3,010
Exercised	–	(24)	–	–	–	(24)
Common share dividends	–	–	(536,194)	–	–	(536,194)
Non-controlling interest	–	–	(198)	–	48,913	48,715
Other	–	–	(1,005)	–	–	(1,005)
Balance, end of year	$ 1,598,381	$ 51,663	$ 3,207,469	$ 136,364	$ 48,913	$ 5,042,790

(See accompanying notes to consolidated financial statements.)

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31 *(in thousands of Canadian dollars)*	2021	2020
Operating activities		
Earnings before income taxes	$ 1,267,650	$ 965,376
Income taxes paid	(153,501)	(172,319)
Adjustments to determine net cash from operating activities		
Capitalized sales commission amortization	56,683	36,433
Capitalized sales commissions paid	(151,022)	(117,652)
Amortization of capital, intangible and other assets	99,818	83,498
Proportionate share of associates' earnings, net of dividends received	(102,134)	(71,328)
Pension and other post-employment benefits	14,403	(4,758)
Restructuring provisions and other	–	74,460
Gain on sale of Personal Capital Corporation	–	(37,232)
Gain on sale of Quadrus Group of Funds	–	(30,000)
Changes in operating assets and liabilities and other	(38,342)	26,772
Cash from operating activites before restructuring provision payments	993,555	753,250
Restructuring provision cash payments	(49,965)	(16,625)
	943,590	736,625
Financing activities		
Net decrease in deposits and certificates	(3,861)	(5,832)
Increase in obligations to securitization entities	1,428,861	1,568,521
Repayments of obligations to securitization entities and other	(2,442,698)	(2,359,844)
Repayment of lease obligations	(23,023)	(25,579)
Issue of common shares	55,904	498
Common share dividends paid	(537,027)	(536,186)
	(1,521,844)	(1,358,422)
Investing activities		
Purchase of other investments	(131,778)	(32,651)
Proceeds from the sale of other investments	348,206	38,840
Increase in loans	(1,776,070)	(1,792,995)
Repayment of loans and other	2,744,676	2,679,740
Net additions to capital assets	(10,643)	(38,991)
Net cash used in additions to intangible assets	(75,276)	(68,808)
Investment in Northleaf Capital Group Ltd. (Note 9)	–	(198,793)
Acquisition of GLC Asset Management Group Ltd. (Note 30)	–	(175,788)
Proceeds from sale of Personal Capital Corporation (Note 9)	–	232,823
Proceeds from sale of Quadrus Group of Funds (Note 9)	–	30,000
	1,099,115	673,377
Increase in cash and cash equivalents	520,861	51,580
Cash and cash equivalents, beginning of year	771,585	720,005
Cash and cash equivalents, end of year	$ 1,292,446	$ 771,585
Cash	$ 326,225	$ 76,617
Cash equivalents	966,221	694,968
	$ 1,292,446	$ 771,585
Supplemental disclosure of cash flow information related to operating activities		
Interest and dividends received	$ 247,377	$ 267,369
Interest paid	$ 221,129	$ 256,272

(See accompanying notes to consolidated financial statements.)

Notes to Consolidated Financial Statements

December 31, 2021 and 2020 *(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 Consolidated Financial Statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). The policies set out below were consistently applied to all the periods presented unless otherwise noted.

USE OF JUDGMENT, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with IFRS requires management to exercise judgment in the process of applying accounting policies and requires management to make estimates and assumptions that affect the amounts reported in the Consolidated Financial Statements. The key areas where judgment has been applied include: the determination of which financial assets should be derecognized; the assessment of the appropriate classification of financial instruments, including those classified as fair value through profit or loss; and the assessment that significant influence exists for its investment in associates. Key components of the financial statements requiring management to make estimates include: the fair value of financial instruments, goodwill, intangible assets, income taxes, capitalized sales commissions, provisions and employee benefits. Actual results may differ from such estimates. Further detail of judgments and estimates are found in the remainder of Note 2 and in Notes 5, 7, 9, 11, 12, 14, 15, 16, 24 and 30. The twelve months ended December 31, 2020 and 2021, were characterized by increased uncertainty due to COVID-19. The Company is closely monitoring the current environment and assessing the impacts, if any, on its significant assumptions related to critical estimates.

BASIS OF CONSOLIDATION

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

The Company's investments in Great-West Lifeco Inc. (Lifeco), China Asset Management Co., Ltd. (ChinaAMC) and Northleaf Capital Group Ltd. (Northleaf) are accounted for using the equity method. The investments were initially recorded at cost and the carrying amounts are increased or decreased to recognize the Company's share of the investments' comprehensive income (loss) and the dividends received since the date of acquisition. The equity method was used to account for the Company's equity interest in Personal Capital Corporation (Personal Capital) until the announcement of the sale of the investment on June 29, 2020.

REVENUE RECOGNITION

Wealth management revenue is earned for providing financial planning, investment advisory and related financial services. Revenues from financial advisory fees and investment management and related administration fees are based on the net asset value of investment funds or other assets under advisement and are accrued as services are performed. Distribution revenue associated with insurance and banking products and services are also recognized on an accrual basis while distribution fees derived from investment fund and securities transactions are recognized on a trade date basis.

Asset management revenue related to investment management advisory and administrative services is based on the net asset value of investment funds and other assets under management and is accrued as services are performed.

FINANCIAL INSTRUMENTS

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

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

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

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

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

CASH AND CASH EQUIVALENTS

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

OTHER INVESTMENTS

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

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

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

LOANS

Loans are classified as either FVTPL or amortized cost, based on the Company's assessment of the business model within which the loan is managed. Revenues from mortgage activities are included in Wealth Management revenues in the Consolidated Statement of Earnings.

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

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

DERECOGNITION

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

SALES COMMISSIONS

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

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

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

CAPITAL ASSETS

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

Property and equipment

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

Right-of-use assets

A right-of-use asset representing the Company's property leases is depreciated using the straight-line method from the commencement date to the end of the lease term and is recorded in Advisory and business development and Operations and support expenses.

LEASES

For contracts that contain a lease, the Company recognizes a right-of-use asset and a lease liability. Imputed interest on the lease liability is recorded in Interest expense.

Lease payments included in the measurement of the lease liability comprises fixed payments less any lease incentives receivable, variable payments that depend on an index or a rate, and payments or penalties for terminating the lease, if any. The lease payments are discounted using the Company's incremental borrowing rate, which is applied to portfolios of leases with reasonably similar characteristics.

The Company does not recognize a right-of-use asset or lease liability for leases that, at commencement date, have a lease term of 12 months or less, and leases for which the underlying asset is of low value. The Company recognizes the payments associated with these leases as an expense on a straight-line basis over the term of the lease.

GOODWILL AND INTANGIBLE ASSETS

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

GOODWILL AND INTANGIBLE ASSETS *(continued)*

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

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

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

EMPLOYEE BENEFITS

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

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

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

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

Current service costs, past service costs and curtailment gains or losses are included in Operations and support expenses.

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

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

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

SHARE-BASED PAYMENTS

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

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

PROVISIONS

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

INCOME TAXES

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

EARNINGS PER SHARE

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

DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

The Company enters into interest rate swaps as part of its mortgage banking and intermediary operations. These swap agreements require the periodic exchange of net interest payments without the exchange of the notional principal amount on which the payments are based. Swaps entered into to hedge the costs of funds on certain securitization activities are designated as hedging instruments (Note 23). The effective portion of changes in fair value are initially recorded in Other comprehensive income and subsequently recorded in Wealth management revenue in the Consolidated Statements of Earnings over the term of the associated Obligations to securitization entities. Remaining mortgage related swaps are not designated as hedging instruments and changes in fair value are recorded directly in Wealth management revenue in the Consolidated Statements of Earnings.

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

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

OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

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

FUTURE ACCOUNTING CHANGES

The Company continuously monitors the potential changes proposed by the IASB and analyzes the effect that changes in the standards may have on the Company's operations and has determined that amendments effective January 1, 2022, will have no material impact.

NOTE 3 REVENUES FROM CONTRACTS WITH CUSTOMERS

	2021	2020
Advisory fees	$ 1,397,859	$ 1,229,299
Product and program fees	961,122	846,341
	2,358,981	2,075,640
Redemption fees	10,029	15,965
Other financial planning revenues	184,590	167,971
Wealth management	2,553,600	2,259,576
Asset management	1,011,456	812,931
Dealer compensation expense	(335,970)	(283,163)
Net asset management	675,486	529,768
Net revenues from contracts with customers	$ 3,229,086	$ 2,789,344

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 EXPENSES

	2021	2020
Commissions	$ 918,793	$ 787,684
Salaries and employee benefits	590,388	556,115
Restructuring and other	–	74,460
Occupancy	27,117	28,608
Amortization of capital, intangible and other assets	99,818	83,498
Other	348,273	340,431
	1,984,389	1,870,796
Sub-advisory	82,020	71,213
Interest	113,936	110,597
	$ 2,180,345	$ 2,052,606

During 2020, the Company incurred restructuring and other charges of $74.5 million related to the ongoing multi-year transformation initiatives and efforts to enhance our operational effectiveness and also from the acquisition of GLC Asset Management (GLC) and other changes to our investment management teams. As a result of these initiatives, the Company recorded costs relating to restructuring and downsizing certain related party sharing services activities as well as impairment of redundant internally generated software assets.

NOTE 5 OTHER INVESTMENTS

	2021		2020	
	COST	FAIR VALUE	COST	FAIR VALUE
Fair value through other comprehensive income (FVTOCI)				
Corporate investments	$ 226,220	$ 1,291,434	$ 251,417	$ 593,273
Fair value through profit or loss (FVTPL)				
Equity securities	1,173	1,552	1,499	1,513
Proprietary investment funds	101,327	105,037	35,254	37,514
	102,500	106,589	36,753	39,027
	$ 328,720	$ 1,398,023	$ 288,170	$ 632,300

FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Corporate investments is primarily comprised of the Company's investments in Wealthsimple Financial Corp. (Wealthsimple), and Portag3 Ventures LP, Portag3 Ventures II LP and Portage Ventures III LP (Portag3). Portag3 is an early-stage investment fund dedicated to backing innovating financial services companies. Portag3 is controlled by Power Corporation of Canada.

The total fair value of Corporate investments of $1,291.4 million is presented net of certain costs incurred within the limited partnership structures holding the underlying investments.

Investment in Wealthsimple

Wealthsimple Financial Corp. (Wealthsimple) is an online investment manager that provides financial investment guidance. The Company's investment in Wealthsimple is held through a limited partnership controlled by Power Corporation of Canada. 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 2021, a realized gain of $241 million ($209 million after-tax) was transferred from Accumulated other comprehensive income to Other retained earnings.

On October 14, 2020, Wealthsimple announced a $114 million equity fundraising. The purchase price associated with this fundraising valued the common equity of Wealthsimple at $1.5 billion ($1.4 billion pre-money valuation).

IGM Financial Inc. holds directly and indirectly a 23% interest in Wealthsimple (2020 – 36%) valued at $1,153 million at December 31, 2021 (2020 – $550 million).

FAIR VALUE THROUGH PROFIT OR LOSS

Proprietary investment funds

The Company manages and provides services and earns management and administration fees, in respect of investment funds that are not recognized in the Consolidated Balance Sheets. As at December 31, 2021, there were $184.5 billion in investment fund assets under management (2020 – $159.5 billion). The Company's investments in proprietary investment funds are classified on the Company's Consolidated Balance Sheets as fair value through profit or loss. These investments are generally made in the process of launching a new fund and are sold as third-party investors subscribe. The Company's maximum exposure to loss is limited to its direct investment in the proprietary investment funds.

Certain investment funds are consolidated where the Company has made the assessment that it controls the investment fund. As at December 31, 2021, the underlying investments related to these consolidated investment funds primarily consisted of cash and short-term investments of $25.1 million (2020 – $7.5 million), equity securities of $50.9 million (2020 – $10.9 million) and fixed income securities of $13.0 million (2020 – $5.8 million). The underlying securities of these funds are classified as FVTPL and recognized at fair value.

NOTE 6 LOANS

	CONTRACTUAL MATURITY 1 YEAR OR LESS	1 – 5 YEARS	OVER 5 YEARS	2021 TOTAL	2020 TOTAL
Amortized cost					
Residential mortgages	$ 1,162,460	$ 4,131,098	$ 3,496	$ 5,297,054	$ 6,329,342
Less: Allowance for expected credit losses				648	778
				5,296,406	6,328,564
Fair value through profit or loss				57,436	3,291
				$ 5,353,842	$ 6,331,855
The change in the allowance for expected credit losses is as follows:					
Balance, beginning of year				$ 778	$ 675
Write-offs, net of recoveries				(407)	(562)
Expected credit losses				277	665
Balance, end of year				$ 648	$ 778

Total credit impaired loans as at December 31, 2021 were $2,822 (2020 – $4,807).

Total interest income on loans was $154.7 million (2020 – $191.2 million). Total interest expense on obligations to securitization entities, related to securitized loans, was $111.4 million (2020 – $148.5 million). Gains realized on the sale of residential mortgages totalled $3.9 million (2020 – $9.8 million). Fair value adjustments related to mortgage banking operations totalled $1.4 million (2020 – negative $5.1 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 7 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 $4.5 million at December 31, 2021 (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.

NOTE 7 SECURITIZATIONS *(continued)*

2021	SECURITIZED MORTGAGES	OBLIGATIONS TO SECURITIZATION ENTITIES	NET
Carrying value			
NHA MBS and CMB Program	$ 2,653,682	$ 2,651,293	$ 2,389
Bank sponsored ABCP	2,371,320	2,406,624	(35,304)
Total	$ 5,025,002	$ 5,057,917	$ (32,915)
Fair value	$ 5,083,991	$ 5,146,420	$ (62,429)
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 8 OTHER ASSETS

	2021	2020
Deferred and prepaid expenses	$ 52,225	$ 48,763
Other	2,073	1,019
	$ 54,298	$ 49,782

Total other assets of $29.6 million as at December 31, 2021 (2020 – $24.2 million) are expected to be realized within one year.

NOTE 9 INVESTMENT IN ASSOCIATES

	LIFECO	CHINAAMC	NORTHLEAF	PERSONAL CAPITAL	TOTAL
2021					
Balance, beginning of year	**$ 962,388**	**$ 720,282**	**$ 248,498**	**$ –**	**$ 1,931,168**
Additions	**–**	**–**	**643**	**–**	**643**
Dividends	**(67,356)**	**(26,877)**	**–**	**–**	**(94,233)**
Proportionate share of:					
Earnings	**125,103**	**61,574**	**9,690**[(1)]	**–**	**196,367**
Other comprehensive income (loss) and other adjustments	**565**	**13,745**	**–**	**–**	**14,310**
Balance, end of year	**$ 1,020,700**	**$ 768,724**	**$ 258,831**	**$ –**	**$ 2,048,255**
2020					
Balance, beginning of year	$ 896,651	$ 662,694	$ –	$ 194,537	$ 1,753,882
Investment	–	–	247,508	–	247,508
Dividends	(65,415)	(13,686)	–	–	(79,101)
Proportionate share of:					
Earnings (losses)	109,148	41,531	990[(1)]	(4,640)	147,029
Associate's adjustments	3,400	–	–	–	3,400
Other comprehensive income (loss) and other adjustments	18,604	29,743	–	8,817	57,164
Disposition	–	–	–	(198,714)	(198,714)
Balance, end of year	$ 962,388	$ 720,282	$ 248,498	$ –	$ 1,931,168

(1) The Company's proportionate share of Northleaf's earnings, net of Non-controlling interest, was $7,752 in 2021 (2020 – $792).

The Company uses the equity method to account for its investments in Great-West Lifeco Inc. (Lifeco), China Asset Management Co., Ltd. (ChinaAMC) and Northleaf Capital Group Ltd. (Northleaf) as it exercises significant influence. The equity method was used up to June 29, 2020 to account for the Company's 24.8% equity interest in Personal Capital Corporation (Personal Capital), as it exercised significant influence.

On January 5, 2022, the Company entered into an agreement with Power Corporation of Canada to acquire an additional interest in ChinaAMC and to sell a portion of its investment in Lifeco (Note 31).

GREAT-WEST LIFECO INC. (LIFECO)

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

At December 31, 2021, the Company held 37,337,133 (2020 – 37,337,133) shares of Lifeco, which represented an equity interest of 4.0% (2020 – 4.0%). Significant influence arises from several factors, including but not limited to the following: common control of Lifeco by Power Corporation of Canada, directors common to the boards of the Company and Lifeco, certain shared strategic alliances and significant intercompany transactions that influence the financial and operating policies of both companies. The Company's proportionate share of Lifeco's earnings is recorded in the Consolidated Statements of Earnings.

In December 2020, Lifeco recorded a gain in relation to the revaluation of a deferred tax asset less certain restructuring and transaction costs. The Company's after-tax proportionate share of these adjustments was $3.4 million.

The fair value of the Company's investment in Lifeco totalled $1,415.5 million at December 31, 2021 (2020 – $1,133.2 million). The Company has elected to apply the exemption in IFRS 4 *Insurance Contracts* to retain Lifeco's relevant accounting policies related to Lifeco's deferral of the adoption of IFRS 9 *Financial Instruments*.

Lifeco directly owned 9,200,000 shares of the Company at December 31, 2021 (2020 – 9,200,000).

Lifeco's financial information as at December 31, 2021 can be obtained in its publicly available information.

CHINA ASSET MANAGEMENT CO., LTD. (ChinaAMC)

ChinaAMC is an asset management company established in Beijing, China and is controlled by CITIC Securities Company Limited.

As at December 31, 2021, the Company held a 13.9% ownership interest in ChinaAMC (2020 – 13.9%). Significant influence arises from board representation, participating in the policy making process, shared strategic initiatives including joint product launches and collaboration between management and investment teams.

The following table sets forth certain summary financial information from ChinaAMC:

	2021		2020	
AS AT DECEMBER 31 *(millions)*	CANADIAN DOLLARS	CHINESE YUAN	CANADIAN DOLLARS	CHINESE YUAN
Total assets	**3,241**	**16,295**	2,672	13,695
Total liabilities	**996**	**5,007**	720	3,688
FOR THE YEAR ENDED DECEMBER 31				
Revenue	**1,560**	**8,015**	1,078	5,539
Net earnings available to common shareholders	**449**	**2,312**	311	1,598
Total comprehensive income	**444**	**2,287**	300	1,542

NORTHLEAF CAPITAL GROUP LTD. (NORTHLEAF)

On October 28, 2020, the Company's subsidiary, Mackenzie, together with Lifeco, acquired a non-controlling interest in Northleaf Capital Group Ltd. (Northleaf), a global private equity, private credit and infrastructure fund manager headquartered in Toronto, Canada.

The transaction was executed through an acquisition vehicle 80% owned by Mackenzie and 20% owned by Lifeco for cash consideration of $241.0 million and up to an additional $245.0 million in consideration at the end of five years from the acquisition date subject to the business achieving exceptional growth in certain performance measures over the period. Any additional consideration will be recognized as expense over the five year period based on the fair value of the expected payment, which is revalued at each reporting period date.

The acquisition vehicle acquired a 49.9% non-controlling voting interest and a 70% economic interest in Northleaf. Mackenzie and Lifeco have an obligation and right to purchase the remaining economic and voting interest in Northleaf commencing in approximately five years from the acquisition date and extending into future periods. The equity method is used to account for the acquisition vehicle's 70% economic interest as it exercises significant influence. Significant influence arises from board representation, participation in the policy making process and shared strategic initiatives.

The Company controls the acquisition vehicle and therefore recognizes the full 70% economic interest in Northleaf and recognizes Non-controlling interest (NCI) related to Lifeco's net interest in Northleaf of 14%.

The following table sets forth certain summary financial information from Northleaf:

AS AT DECEMBER 31 *(millions)*	2021	2020
Total assets	**$ 119.6**	$ 115.9
Total liabilities	**106.0**	98.5
FOR THE PERIOD ENDED DECEMBER 31[1]		
Revenue	**$ 99.8**	$ 21.7
Net earnings available to common shareholders	**17.9**	3.1
Total comprehensive income	**17.9**	3.1

(1) 2020 results include only fourth quarter; however, the Company's proportionate share of Northleaf's earnings was effective October 28, 2020.

NOTE 9 INVESTMENT IN ASSOCIATES *(continued)*

PERSONAL CAPITAL CORPORATION (PERSONAL CAPITAL)

In 2020, the Company sold its equity interest in 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 has 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. During the fourth quarter of 2021, the Company recorded additional consideration receivable of $10.6 million ($7.7 million after-tax) in Net investment income and other.

NOTE 10 CAPITAL ASSETS

	FURNITURE AND EQUIPMENT	BUILDING AND COMPONENTS	RIGHT-OF-USE ASSETS	TOTAL
2021				
Cost	$ 336,025	$ 69,349	$ 260,530	$ 665,904
Less: accumulated amortization	(254,602)	(18,244)	(77,094)	(349,940)
	$ 81,423	$ 51,105	$ 183,436	$ 315,964
Changes in capital assets:				
Balance, beginning of year	$ 99,036	$ 51,411	$ 179,243	$ 329,690
Additions	9,296	1,339	32,658	43,293
Disposals	(9,166)	–	–	(9,166)
Amortization	(17,743)	(1,645)	(28,465)	(47,853)
Balance, end of year	$ 81,423	$ 51,105	$ 183,436	$ 315,964
2020				
Cost	$ 357,351	$ 68,009	$ 227,872	$ 653,232
Less: accumulated amortization	(258,315)	(16,598)	(48,629)	(323,542)
	$ 99,036	$ 51,411	$ 179,243	$ 329,690
Changes in capital assets:				
Balance, beginning of year	$ 84,299	$ 51,801	$ 80,856	$ 216,956
Additions	37,799	1,192	123,529	162,520
Disposals	(3,653)	–	–	(3,653)
Amortization	(19,409)	(1,582)	(25,142)	(46,133)
Balance, end of year	$ 99,036	$ 51,411	$ 179,243	$ 329,690

NOTE 11 CAPITALIZED SALES COMMISSIONS

	2021	2020
Cost	$ 461,149	$ 310,127
Less: accumulated amortization	(135,725)	(79,042)
	$ 325,424	$ 231,085
Changes in capitalized sales commissions		
Balance, beginning of year	$ 231,085	$ 149,866
Changes due to:		
Sales of investment funds	151,022	117,652
Amortization	(56,683)	(36,433)
	94,339	81,219
Balance, end of year	$ 325,424	$ 231,085

NOTE 12 GOODWILL AND INTANGIBLE ASSETS

	FINITE LIFE		INDEFINITE LIFE			
	SOFTWARE	DISTRIBUTION AND OTHER MANAGEMENT CONTRACTS	INVESTMENT FUND MANAGEMENT CONTRACTS	TRADE NAMES	TOTAL INTANGIBLE ASSETS	GOODWILL
2021						
Cost	**$ 325,123**	**$ 270,327**	**$ 740,559**	**$ 285,177**	**$ 1,621,186**	**$ 2,802,066**
Less: accumulated amortization	**(164,787)**	**(99,695)**	**–**	**–**	**(264,482)**	**–**
	$ 160,336	**$ 170,632**	**$ 740,559**	**$ 285,177**	**$ 1,356,704**	**$ 2,802,066**
Changes in goodwill and intangible assets:						
Balance, beginning of year	**$ 155,923**	**$ 139,931**	**$ 740,559**	**$ 285,177**	**$ 1,321,590**	**$ 2,803,075**
Additions[(1)]	**38,865**	**44,072**	**–**	**–**	**82,937**	**(1,009)**
Disposals	**(19)**	**(867)**	**–**	**–**	**(886)**	**–**
Amortization	**(34,433)**	**(12,504)**	**–**	**–**	**(46,937)**	**–**
Balance, end of year	**$ 160,336**	**$ 170,632**	**$ 740,559**	**$ 285,177**	**$ 1,356,704**	**$ 2,802,066**
2020						
Cost	$ 293,412	$ 228,167	$ 740,559	$ 285,177	$ 1,547,315	$ 2,803,075
Less: accumulated amortization	(137,489)	(88,236)	–	–	(225,725)	–
	$ 155,923	$ 139,931	$ 740,559	$ 285,177	$ 1,321,590	$ 2,803,075
Changes in goodwill and intangible assets:						
Balance, beginning of year	$ 138,499	$ 65,892	$ 740,559	$ 285,177	$ 1,230,127	$ 2,660,267
Additions[(1)]	43,606	81,950	–	–	125,556	142,808
Disposals	(1,421)	(490)	–	–	(1,911)	–
Amortization	(24,761)	(7,421)	–	–	(32,182)	–
Balance, end of year	$ 155,923	$ 139,931	$ 740,559	$ 285,177	$ 1,321,590	$ 2,803,075

(1) The Company completed its acquisition of GLC on December 31, 2020 and Greenchip on December 22, 2020 and finalized the purchase price allocations in 2021 (Note 30).

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

	2021		2020	
	GOODWILL	**INDEFINITE LIFE INTANGIBLE ASSETS**	GOODWILL	INDEFINITE LIFE INTANGIBLE ASSETS
Wealth Management	**$ 1,491,687**	**$ 23,055**	$ 1,491,687	$ 23,055
Asset Management	**1,310,379**	**1,002,681**	1,311,388	1,002,681
Total	**$ 2,802,066**	**$ 1,025,736**	$ 2,803,075	$ 1,025,736

The Company tests whether goodwill and indefinite life intangible assets are impaired by assessing the carrying amounts with the recoverable amounts. The recoverable amount of the Company's CGUs is based on the best available evidence of fair value less costs of disposal.

In assessing the recoverable amounts, valuation approaches are used that may include discounted cash flow analysis and application of capitalization multiples to financial and operating metrics based upon precedent acquisition transactions and trading comparables. Assumptions and estimates employed in discounted cash flows include future changes in assets under management resulting from net sales and investment returns, pricing and profit margin changes and discount rates, which represent level 3 fair value inputs. Valuation multiples may include price-to-earnings or other conventionally used measures for investment managers or other financial service providers (multiples of value to assets under management, revenues, or other measures of profitability). This assessment may give regard to a variety of relevant considerations, including expected growth, risk and capital market conditions, among other factors. The valuation multiples used in assessing fair value represent Level 2 fair value inputs.

NOTE 12 GOODWILL AND INTANGIBLE ASSETS *(continued)*

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

NOTE 13 DEPOSITS AND CERTIFICATES

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

Included in the assets of the Consolidated Balance Sheets are cash and cash equivalents, client funds on deposit and loans amounting to $2,220.3 million (2020 – $1,104.9 million) related to deposits and certificates.

		TERM TO MATURITY				
	DEMAND	1 YEAR OR LESS	1–5 YEARS	OVER 5 YEARS	2021 TOTAL	2020 TOTAL
Deposits	$ 2,218,611	$ –	$ –	$ –	$ 2,218,611	$ 1,103,127
Certificates	–	387	538	738	1,663	1,762
	$ 2,218,611	$ 387	$ 538	$ 738	$ 2,220,274	$ 1,104,889

NOTE 14 OTHER LIABILITIES

	2021	2020
Dividends payable	$ 134,816	$ 134,048
Interest payable	26,775	27,500
Accrued benefit liabilities (Note 15)	125,732	250,079
Provisions	26,674	77,495
Other	68,469	47,019
	$ 382,466	$ 536,141

The Company establishes restructuring provisions related to business acquisitions, divestitures and other items, as well as other provisions in the normal course of its operations. Changes in provisions during 2021 consisted of additional estimates of $7.3 million (2020 – $77.8 million), provision reversals of $4.0 million (2020 – $2.2 million) and payments of $54.1 million (2020 – $18.6 million).

Total other liabilities of $244.9 million as at December 31, 2021 (2020 – $276.0 million) are expected to be settled within one year.

NOTE 15 EMPLOYEE BENEFITS

DEFINED BENEFIT PLANS

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

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

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

DEFINED BENEFIT PLANS *(continued)*

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

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

The actuarial valuation for funding purposes related to the Company's registered defined benefit pension plan, based on a measurement date of December 31, 2020, was completed in June 2021. The valuation determines the plan surplus or deficit on both a solvency and going concern basis. The solvency basis determines the relationship between the plan assets and its liabilities assuming that the plan is wound up and settled on the valuation date. A going concern valuation compares the relationship between the plan assets and the present value of the expected future benefit cash flows, assuming the plan will be maintained indefinitely. Based on the actuarial valuation, the registered pension plan had a solvency deficit of $61.3 million compared to $47.2 million in the previous actuarial valuation, which was based on a measurement date of December 31, 2017. The increase in the solvency deficit resulted primarily as a result of lower interest rates and is required to be funded over five years. The registered pension plan had a going concern surplus of $79.2 million compared to $46.1 million in the previous valuation. The next required actuarial valuation will be based on a measurement date of December 31, 2021. During the year, the Company has made contributions of $13.6 million (2020 – $25.5 million). The Company expects annual contributions of approximately $14.1 million in 2022. Pension contribution decisions are subject to change, as contributions are affected by many factors including market performance, regulatory requirements, changes in assumptions and management's ability to change funding policy. Effective December 20, 2021, the Government of Manitoba implemented funding changes for defined benefit pension plans. The changes include funding the solvency deficit only if it falls below 85% (previously was required to fund the entire solvency deficit). In determining the funding for going concern deficits, a margin known as the provision for adverse deviation will be added to the going concern deficit. The minimum provision is 5% of the going concern liabilities and can increase up to 22% based on the pension's target asset allocation. The funding period for going concern deficits will decrease from 15 years to 10 years. The changes in the funding requirements will be considered as part of the valuation of the pension plan that will be based on a measurement date of December 31, 2021. The changes also allow an employer to establish a solvency reserve account which is a separate account within the pension fund to which the employer can remit solvency deficiency payments. The administrator can refund all or a portion of the assets in this separate account to the employer provided the plan remains fully funded on a going concern basis and maintains a solvency ratio of at least 105%. Benefit improvements under the plan are not allowed if the solvency ratio is less than 85%.

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

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

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

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

DEFINED BENEFIT PLANS *(continued)*

Plan assets, benefit obligations and funded status:

	2021			2020		
	DEFINED BENEFIT PENSION PLAN	SERPS	OTHER POST-EMPLOYMENT BENEFITS	DEFINED BENEFIT PENSION PLAN	SERPS	OTHER POST-EMPLOYMENT BENEFITS
Fair value of plan assets						
Balance, beginning of year	$ 516,945	$ –	$ –	$ 466,547	$ –	$ –
Employee contributions	1,964	–	–	1,979	–	–
Employer contributions	13,598	–	–	25,468	–	–
Benefits paid	(27,748)	–	–	(27,792)	–	–
Interest income	13,774	–	–	14,935	–	–
Additions	–	–	–	11,200	–	–
Remeasurements:						
Return on plan assets	48,194	–	–	24,608	–	–
Balance, end of year	566,727	–	–	516,945	–	–
Accrued benefit obligation						
Balance, beginning of year	650,064	74,825	42,135	565,606	69,236	39,147
Benefits paid	(27,748)	(3,853)	(2,671)	(27,792)	(3,267)	(1,942)
Current service cost	25,707	2,107	679	20,728	1,639	587
Past service costs	–	–	–	–	(1,588)	–
Employee contributions	1,964	–	–	1,979	–	–
Interest expense	17,177	1,668	960	17,688	2,072	1,156
Additions	–	–	–	14,700	–	–
Remeasurements:						
Actuarial losses (gains)						
Demographic assumption	–	–	–	–	–	830
Experience adjustments	(3,348)	1,861	(6,402)	(33)	1,345	(535)
Financial assumptions	(75,465)	(5,051)	(2,150)	57,188	5,388	2,892
Balance, end of year	588,351	71,557	32,551	650,064	74,825	42,135
Accrued benefit liability	$ 21,624	$ 71,557	$ 32,551	$ 133,119	$ 74,825	$ 42,135

Significant actuarial assumptions used to calculate the defined benefit obligation:

	2021			2020		
	DEFINED BENEFIT PENSION PLAN	SERPS	OTHER POST-EMPLOYMENT BENEFITS	DEFINED BENEFIT PENSION PLAN	SERPS	OTHER POST-EMPLOYMENT BENEFITS
Discount rate	3.30%	2.65%-3.10%	3.00%	2.70%	1.85%-2.50%	2.35%
Rate of compensation increase	3.75%	3.75%	N/A	3.75%	3.75%	N/A
Health care cost trend rate(1)	N/A	N/A	5.50%	N/A	N/A	5.60%
Mortality rates at age 65 for current pensioners	23.1 years	23.1 years	23.1 years	23.0 years	23.0 years	23.0 years

(1) Trending to 4.00% in 2040 and remaining at that rate thereafter.

The weighted average duration of the pension plan's defined benefit obligation at the end of the reporting period is 20.7 years (2020 – 19.3 years).

DEFINED BENEFIT PLANS *(continued)*

Benefit expense:

	2021			2020		
	DEFINED BENEFIT PENSION PLAN	SERPS	OTHER POST-EMPLOYMENT BENEFITS	DEFINED BENEFIT PENSION PLAN	SERPS	OTHER POST-EMPLOYMENT BENEFITS
Current service cost	$ 25,707	$ 2,107	$ 679	$ 20,728	$ 1,639	$ 587
Past service costs	–	–	–	–	(1,588)	–
Net interest cost	3,403	1,668	960	2,753	2,072	1,156
	$ 29,110	$ 3,775	$ 1,639	$ 23,481	$ 2,123	$ 1,743

Sensitivity analysis:

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

	2021		2020	
	INCREASE (DECREASE) IN LIABILITY	INCREASE (DECREASE) IN EXPENSE	INCREASE (DECREASE) IN LIABILITY	INCREASE (DECREASE) IN EXPENSE
Defined benefit pension plan				
Discount rate (+ / − 0.25%)				
Increase	$ (28,634)	$ (2,391)	$ (29,334)	$ (2,081)
Decrease	30,242	2,389	31,391	2,110
Rate of compensation (+ / − 0.25%)				
Increase	7,805	838	11,121	1,075
Decrease	(7,674)	(822)	(10,981)	(1,057)
Mortality				
Increase 1 year	11,214	721	14,339	849
SERPs				
Discount rate (+ / − 0.25%)				
Increase	(1,683)	82	(1,922)	87
Decrease	1,755	(87)	2,001	(93)
Rate of compensation (+ / − 0.25%)				
Increase	30	12	41	21
Decrease	(26)	(13)	(42)	(15)
Mortality				
Increase 1 year	1,415	48	1,645	45
Other post-employment benefits				
Discount rate (+ / − 0.25%)				
Increase	(763)	42	(1,056)	52
Decrease	797	(44)	1,106	(55)
Health care cost trend rates (+ / − 1.00%)				
Increase	659	20	1,476	35
Decrease	(574)	(17)	(1,273)	(30)
Mortality				
Increase 1 year	807	30	1,270	42

NOTE 15 EMPLOYEE BENEFITS *(continued)*

DEFINED BENEFIT PLANS *(continued)*

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

Asset allocation of defined benefit pension plan by asset category:

	2021	2020
Equity securities	**61.5 %**	60.8 %
Fixed income securities	**30.2**	29.6
Alternative strategies	**7.3**	8.6
Cash and cash equivalents	**1.0**	1.0
	100.0 %	100.0 %

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

DEFINED CONTRIBUTION PENSION PLANS

The Company maintains a number of defined contribution pension plans for eligible employees. The total expense recorded in Advisory and business development and Operations and support expenses was $6.9 million (2020 – $6.2 million).

GROUP RETIREMENT SAVINGS PLAN (RSP)

The Company maintains a group RSP for eligible employees. The Company's contributions are recorded in Advisory and business development and Operations and support expenses as paid and totalled $8.6 million (2020 – $7.6 million).

NOTE 16 INCOME TAXES

Income tax expense:

	2021	2020
Income taxes recognized in net earnings		
Current taxes		
Tax on current year's earnings	**$ 230,651**	$ 170,441
Adjustments in respect of prior years	**(676)**	(2,003)
	229,975	168,438
Deferred taxes	**56,788**	32,332
	$ 286,763	$ 200,770

Effective income tax rate:

	2021	2020
Income taxes at Canadian federal and provincial statutory rates	**26.63 %**	26.68 %
Effect of:		
Proportionate share of associates' earnings (Note 9)	**(3.65)**	(3.71)
Proportionate share of associate's adjustments (Note 9)	**–**	(0.09)
Tax loss consolidation (Note 27)	**–**	(1.15)
Disposition of assets and other acquisition costs	**–**	(0.82)
Other items	**(0.36)**	(0.11)
Effective income tax rate	**22.62 %**	20.80 %

DEFERRED INCOME TAXES

Composition and changes in net deferred taxes are as follows:

	ACCRUED BENEFIT LIABILITIES	LOSS CARRYFORWARDS	CAPITALIZED SALES COMMISSIONS	INTANGIBLE ASSETS	OTHER INVESTMENTS	OTHER	TOTAL
FOR THE YEAR ENDED DECEMBER 31, 2021							
Balance, beginning of year	**$ 67,467**	**$ 27,604**	**$ (61,579)**	**$ (288,229)**	**$ (45,961)**	**$ (2,757)**	**$ (303,455)**
Recognized in statements of:							
Earnings	**3,885**	**(21,145)**	**(25,037)**	**(1,605)**	**(1,371)**	**(11,515)**	**(56,788)**
Comprehensive income	**(37,466)**	**–**	**–**	**–**	**(97,653)**	**(4,284)**	**(139,403)**
Equity	**–**	**–**	**–**	**–**	**3,438**	**–**	**3,438**
Foreign exchange rate charges and other	**–**	**–**	**–**	**(1)**	**(1,204)**	**1,206**	**1**
Balance, end of year	**$ 33,886**	**$ 6,459**	**$ (86,616)**	**$ (289,835)**	**$ (142,751)**	**$ (17,350)**	**$ (496,207)**
FOR THE YEAR ENDED DECEMBER 31, 2020							
Balance, beginning of year	$ 55,994	$ 33,700	$ (40,006)	$ (268,734)	$ (8,104)	$ (1,382)	$ (228,532)
Recognized in statements of:							
Earnings	(933)	(6,096)	(21,573)	(4,485)	708	47	(32,332)
Comprehensive income	11,461	–	–	–	(38,565)	(1,900)	(29,004)
Business acquisitions	945	–	–	(15,010)	–	488	(13,577)
Foreign exchange rate charges and other	–	–	–	–	–	(10)	(10)
Balance, end of year	$ 67,467	$ 27,604	$ (61,579)	$ (288,229)	$ (45,961)	$ (2,757)	$ (303,455)

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

	2021	2020
Deferred income tax assets	**$ 29,269**	$ 84,624
Deferred income tax liabilities	**(525,476)**	(388,079)
	$ (496,207)	$ (303,455)

NOTE 17 LONG-TERM DEBT

MATURITY	RATE	**2021**	2020
January 26, 2027	3.44 %	**400,000**	400,000
December 13, 2027	6.65 %	**125,000**	125,000
May 9, 2031	7.45 %	**150,000**	150,000
December 31, 2032	7.00 %	**175,000**	175,000
March 7, 2033	7.11 %	**150,000**	150,000
December 10, 2040	6.00 %	**200,000**	200,000
January 25, 2047	4.56 %	**200,000**	200,000
December 9, 2047	4.115 %	**250,000**	250,000
July 13, 2048	4.174 %	**200,000**	200,000
March 21, 2050	4.206 %	**250,000**	250,000
		$ 2,100,000	$ 2,100,000

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

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

Interest expense relating to long-term debt was $106.6 million (2020 – $106.7 million).

NOTE 18 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

	2021		2020	
	SHARES	STATED VALUE	SHARES	STATED VALUE
Common shares:				
Balance, beginning of year	238,308,284	$ 1,598,381	238,294,090	$ 1,597,860
Issued under Stock Option Plan (Note 20)	1,370,759	60,299	14,194	521
Balance, end of year	239,679,043	$ 1,658,680	238,308,284	$ 1,598,381

NOTE 19 CAPITAL MANAGEMENT

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

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

The total outstanding long-term debt was $2,100.0 million at December 31, 2021, unchanged from December 31, 2020. Long-term debt is comprised of debentures which are senior unsecured debt obligations of the Company subject to standard covenants, including negative pledges, but which do not include any specified financial or operational covenants.

Other activities in 2021 included the declaration of common share dividends of $537.8 million or $2.25 per share. Changes in common share capital are reflected in the Consolidated Statements of Changes in Shareholders' Equity.

NOTE 20 SHARE-BASED PAYMENTS

STOCK OPTION PLAN

Under the terms of the Company's Stock Option Plan (Plan), options to purchase common shares are periodically granted to employees at prices not less than the weighted average trading price per common share on the Toronto Stock Exchange for the five trading days preceding the date of the grant. The options are subject to time vesting conditions set out at the grant date. Options vest over a period of up to 7.5 years from the grant date and are exercisable no later than 10 years after the grant date. At December 31, 2021, 19,030,398 (2020 – 20,401,157) common shares were reserved for issuance under the Plan.

During 2021, the Company granted 1,648,345 options to employees (2020 – 2,104,365). The weighted-average fair value of options granted during the year ended December 31, 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 (2020 – $35.05). Other assumptions used in these valuation models include:

STOCK OPTION PLAN *(continued)*

	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. Stock options were exercised regularly throughout 2021 and the average share price in 2021 was $43.18 (2020 – $32.65).

The Company recorded compensation expense related to its stock option program of $3.8 million (2020 – $3.0 million).

	2021		2020	
	NUMBER OF OPTIONS	WEIGHTED-AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED-AVERAGE EXERCISE PRICE
Balance, beginning of year	11,930,224	$ 40.37	10,529,360	$ 41.22
Granted	1,648,345	35.29	2,104,365	36.82
Exercised	(1,370,759)	40.78	(14,194)	35.08
Forfeited	(495,646)	46.08	(689,307)	42.64
Balance, end of year	11,712,164	$ 39.36	11,930,224	$ 40.37
Exercisable, end of year	6,179,244	$ 41.83	6,326,067	$ 43.00

OPTIONS OUTSTANDING AT DECEMBER 31, 2021	EXPIRY DATE	EXERCISE PRICE $	OPTIONS OUTSTANDING	OPTIONS EXERCISABLE
	2022	45.56 – 47.23	364,700	364,700
	2023	44.73 – 47.26	825,885	825,885
	2024	53.81	701,459	701,459
	2025	43.28 – 43.97	861,986	764,534
	2026	34.88 – 38.17	1,523,860	1,139,960
	2027	39.71 – 41.74	1,091,764	731,808
	2028	37.58 – 40.10	1,249,071	728,031
	2029	34.29 – 36.91	1,391,493	522,816
	2030	31.85 – 38.65	2,066,571	400,051
	2031	35.01 – 46.02	1,635,375	–
			11,712,164	6,179,244

SHARE UNIT PLANS

The Company has share unit plans for eligible employees to assist in retaining and further aligning the interests of senior management with those of the shareholders. These plans include Performance Share Unit (PSU), Deferred Share Unit (DSU) and Restricted Share Unit (RSU) plans. Under the terms of the plans, share units are awarded annually and are subject to time vesting conditions. In addition, the PSU and DSU plans are subject to performance vesting conditions. The value of each share unit is based on the share price of the Company's common shares. The PSUs and RSUs are cash settled and vest over a three year period. Certain employees can elect at the time of grant to receive a portion of their PSUs in the form of deferred share units which vest over a three year period. Deferred share units are redeemable when a participant is no longer an employee of the Company or any of its affiliates by a lump sum payment based on the value of the deferred share unit at that time. Additional share units are issued in respect of dividends payable on common shares based on a value of the share unit at the dividend payment date. The Company recorded compensation expense, excluding the impact of hedging, of $31.5 million in 2021 (2020 – $16.8 million) and a liability of $45.8 million at December 31, 2021 (2020 – $31.5 million).

SHARE PURCHASE PLANS

Under the Company's share purchase plans, eligible employees and IG Wealth Management consultants can elect each year to have a percentage of their annual earnings withheld, subject to a maximum, to purchase the Company's common shares. The Company matches 50% of the contribution amounts. All contributions are used by the plan trustee to purchase common shares in the open market. Shares purchased with Company contributions vest after a maximum period of 3 years following the date of purchase. The Company's contributions are recorded in Advisory and business development and Operations and support expenses as paid and totalled $4.4 million (2020 – $3.8 million).

DIRECTORS' DEFERRED SHARE UNIT PLAN

The Company has a Deferred Share Unit (DSU) plan for the directors of the Company to promote a greater alignment of interests between directors and shareholders of the Company. Under the terms of the plan, directors are required to receive 50% of their annual board retainer in the form of DSUs and may elect to receive the balance of their annual board retainer in cash or DSUs. Directors may elect to receive certain fees in a combination of DSUs and cash. The number of DSUs granted is determined by dividing the amount of remuneration payable by the average closing price on the Toronto Stock Exchange of the common shares of the Company on the last five days of the fiscal quarter (value of DSU). A director who has elected to receive DSUs will receive additional DSUs in respect of dividends payable on common shares, based on the value of a DSU at the dividend payment date. DSUs are redeemable when a participant is no longer a director, officer or employee of the Company or any of its affiliates by cash payments, based on the value of the DSUs at that time. At December 31, 2021, the fair value of the DSUs outstanding was $31.8 million (2020 – $21.2 million). Any difference between the change in fair value of the DSUs and the change in fair value of the total return swap, which is an economic hedge for the DSU plan, is recognized in Operations and support expense in the period in which the change occurs.

NOTE 21 ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

2021	EMPLOYEE BENEFITS	OTHER INVESTMENTS	INVESTMENT IN ASSOCIATES AND OTHER	TOTAL
Balance, beginning of year	**$ (196,949)**	**$ 293,448**	**$ 39,865**	**$ 136,364**
Other comprehensive income (loss)	**101,283**	**834,519**	**19,732**	**955,534**
Transfer out of FVTOCI	**–**	**(208,815)**	**–**	**(208,815)**
Balance, end of year	**$ (95,666)**	**$ 919,152**	**$ 59,597**	**$ 883,083**
2020				
Balance, beginning of year	$ (165,947)	$ 46,363	$ (8,118)	$ (127,702)
Other comprehensive income (loss)	(31,002)	247,085	47,983	264,066
Balance, end of year	$ (196,949)	$ 293,448	$ 39,865	$ 136,364

Amounts are recorded net of tax.

In 2021, the Company recorded after-tax gains in Other Comprehensive Income of $834.5 million due to fair value changes in the Company's investments, primarily related to a $776.3 million fair value adjustment in the first quarter related to Wealthsimple.

NOTE 22 RISK MANAGEMENT

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

LIQUIDITY AND FUNDING RISK RELATED TO FINANCIAL INSTRUMENTS

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

The Company's liquidity management practices include:

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

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

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

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

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

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

AS AT DECEMBER 31, 2021 (*$ millions*)	DEMAND	LESS THAN 1 YEAR	1 – 5 YEARS	AFTER 5 YEARS	TOTAL
Derivative financial instruments	$ –	$ 6.7	$ 11.1	$ –	$ 17.8
Deposits and certificates	2,218.6	0.4	0.5	0.8	2,220.3
Obligations to securitization entities	–	1,157.8	3,893.3	6.8	5,057.9
Leases(1)		31.8	98.3	125.2	255.3
Long-term debt	–	–	–	2,100.0	2,100.0
Pension funding(2)	–	14.1	–	–	14.1
Total contractual maturities	$ 2,218.6	$ 1,210.8	$ 4,003.2	$ 2,232.8	$ 9,665.4

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

(2) *The next required actuarial valuation will be completed based on a measurement date of December 31, 2021. Pension funding requirements beyond 2022 are subject to significant variability and will be determined based on future actuarial valuations. Pension contribution decisions are subject to change, as contributions are affected by many factors including market performance, regulatory requirements, changes in assumptions and management's ability to change funding policy.*

In addition to the Company's current balance of cash and cash equivalents, liquidity is available through the Company's lines of credit. The Company's lines of credit with various Schedule I Canadian chartered banks totalled $825 million at December 31, 2021, unchanged from December 31, 2020. The lines of credit at December 31, 2021 consisted of committed lines of $650 million and uncommitted lines of $175 million, unchanged from December 31, 2020. Any advances made by a bank under the uncommitted lines of credit are at the bank's sole discretion. As at December 31, 2021 and December 31, 2020, the Company was not utilizing its committed lines of credit or its uncommitted lines of credit.

The Company's liquidity position and its management of liquidity and funding risk have not changed materially since December 31, 2020.

CREDIT RISK RELATED TO FINANCIAL INSTRUMENTS

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

At December 31, 2021, cash and cash equivalents of $1,292.4 million (2020 – $771.6 million) consisted of cash balances of $326.2 million (2020 – $76.6 million) on deposit with Canadian chartered banks and cash equivalents of $966.2 million (2020 – $695.0 million). Cash equivalents are comprised of Government of Canada treasury bills totalling $358.7 million (2020 – $96.0 million), provincial government treasury bills and promissory notes of $350.6 million (2020 – $148.8 million), bankers' acceptances of $198.3 million (2020 – $450.2 million) and other corporate commercial paper of $58.6 million (2020 – nil).

Client funds on deposit of $2,238.6 million (2020 – $1,063.4 million) represent cash balances held in client accounts deposited at Canadian financial institutions.

The Company manages credit risk related to cash and cash equivalents by adhering to its Investment Policy that outlines credit risk parameters and concentration limits. The Company regularly reviews the credit ratings of its counterparties. The maximum exposure to credit risk on these financial instruments is their carrying value.

As at December 31, 2021, residential mortgages, recorded on the Company's balance sheet, of $5.4 billion (2020 – $6.3 billion) consisted of $5.0 billion sold to securitization programs (2020 – $6.0 billion), $315.8 million held pending sale or securitization (2020 – $334.5 million) and $13.7 million related to the Company's intermediary operations (2020 – $14.1 million).

The Company manages credit risk related to residential mortgages through:

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

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

- Under the NHA MBS program totalling $2.6 billion (2020 – $3.2 billion), the Company is obligated to make timely payment of principal and coupons irrespective of whether such payments were received from the mortgage borrower. However, as required by the NHA MBS program, 100% of the loans are insured by an approved insurer.
- Credit risk for mortgages securitized by transfer to bank-sponsored securitization trusts totalling $2.4 billion (2020 – $2.8 billion) is limited to amounts held in cash reserve accounts and future net interest income, the fair values of which were $67.6 million (2020 – $73.0 million) and $34.1 million (2020 – $45.6 million), respectively, at December 31, 2021. Cash reserve accounts are reflected on the balance sheet, whereas rights to future net interest income are not reflected on the balance sheet and will be recorded over the life of the mortgages.

At December 31, 2021, residential mortgages recorded on balance sheet were 53.1% insured (2020 – 55.3%). As at December 31, 2021, impaired mortgages on these portfolios were $2.8 million, compared to $4.8 million at December 31, 2020. Uninsured non-performing mortgages over 90 days on these portfolios were $1.5 million at December 31, 2021, compared to $2.3 million at December 31, 2020.

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

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

CREDIT RISK RELATED TO FINANCIAL INSTRUMENTS *(continued)*

The Company's allowance for expected credit losses was $0.6 million at December 31, 2021, compared to $0.8 million at December 31, 2020, and is considered adequate by management to absorb all credit-related losses in the mortgage portfolios based on: i) historical credit performance experience, ii) recent trends including the economic impact of COVID-19 and Canada's COVID-19 Economic Response Plan to support Canadians and businesses, iii) current portfolio credit metrics and other relevant characteristics, iv) our strong financial planning relationship with our clients, and v) stress testing of losses under adverse real estate market conditions.

The Company's exposure to and management of credit risk related to cash and cash equivalents, fixed income securities and mortgage portfolios have not changed materially since December 31, 2020.

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

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

The Company's derivative activities are managed in accordance with its Investment Policy which includes counterparty limits and other parameters to manage counterparty risk. The aggregate credit risk exposure related to derivatives that are in a gain position of $39.5 million (2020 – $35.8 million) does not give effect to any netting agreements or collateral arrangements. The exposure to credit risk, considering netting agreements and collateral arrangements and including rights to future net interest income, was $0.7 million at December 31, 2021 (2020 – $3.8 million). Counterparties are all Canadian Schedule I chartered banks and, as a result, management has determined that the Company's overall credit risk related to derivatives was not significant at December 31, 2021. Management of credit risk related to derivatives has not changed materially since December 31, 2020.

MARKET RISK RELATED TO FINANCIAL INSTRUMENTS

This is the risk of loss arising from changes in the values of the Company's financial instruments due to changes in interest rates, equity prices or foreign exchange rates.

Interest Rate Risk

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

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

- The Company has in certain instances funded floating rate mortgages with fixed rate Canada Mortgage Bonds as part of the securitization transactions under the CMB Program. As previously discussed, as part of the CMB Program, the Company is party to a swap whereby it is entitled to receive investment returns on reinvested mortgage principal and is obligated to pay Canada Mortgage Bond coupons. This swap had a fair value of $1.0 million (2020 – negative $21.1 million) and an outstanding notional amount of $0.3 billion at December 31, 2021 (2020 – $0.7 billion). The Company enters into interest rate swaps with Canadian Schedule I chartered banks to hedge the risk that the interest rates earned on floating rate mortgages and reinvestment returns decline. The fair value of these swaps totalled $3.5 million (2020 – $19.9 million), on an outstanding notional amount of $1.3 billion at December 31, 2021 (2020 – $1.3 billion). The net fair value of these swaps of $4.5 million at December 31, 2021 (2020 – negative $1.2 million) is recorded on the balance sheet and has an outstanding notional amount of $1.6 billion (2020 – $2.0 billion).
- The Company is exposed to the impact that changes in interest rates may have on the value of mortgages committed to or held pending sale or securitization to long-term funding sources. The Company enters into interest rate swaps to hedge the interest rate risk related to funding costs for mortgages held by the Company pending sale or securitization. Hedge accounting is applied to the cost of funds on certain securitization activities. The effective portion of fair value changes of the associated interest rate swaps are initially recognized in Other comprehensive income and subsequently recognized in Wealth Management revenue over the term of the related Obligations to securitization entities. The fair value of these swaps was $0.6 million (2020 – negative $0.3 million) on an outstanding notional amount of $128.6 million at December 31, 2021 (December 31, 2020 – $191.3 million).

MARKET RISK RELATED TO FINANCIAL INSTRUMENTS *(continued)*

As at December 31, 2021, the impact to annual net earnings of a 100 basis point increase in interest rates would have been a decrease of approximately $3.0 million (2020 – decrease of $1.3 million). The Company's exposure to and management of interest rate risk have not changed materially since December 31, 2020.

Equity Price Risk

The Company is exposed to equity price risk on its equity investments (Note 5) which are classified as either fair value through other comprehensive income or fair value through profit or loss or investments in associates. The fair value of the equity investments was $1.4 billion at December 31, 2021 (2020 – $632.3 million).

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

Foreign Exchange Risk

The Company is exposed to foreign exchange risk on its investment in ChinaAMC. Changes to the carrying value due to changes in foreign exchange rates is recognized in Other comprehensive income. As at December 31, 2021, a 5% appreciation (depreciation) in Canadian currency relative to foreign currencies would decrease (increase) the aggregate carrying value of foreign investments by approximately $36.3 million ($40.2 million).

The Company's proportionate share of ChinaAMC's earnings, recorded in Proportionate share of associates' earnings in the Consolidated Statements of Earnings, is also affected by changes in foreign exchange rates. For the year ended December 31, 2021, the impact to net earnings of a 5% appreciation (depreciation) in Canadian currency relative to foreign currencies would decrease (increase) the Company's proportionate share of associates' earnings (losses) by approximately $2.9 million ($3.2 million).

RISKS RELATED TO ASSETS UNDER MANAGEMENT AND ADVISEMENT

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

NOTE 23 DERIVATIVE FINANCIAL INSTRUMENTS

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

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

NOTE 23 DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

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

	NOTIONAL AMOUNT					FAIR VALUE	
2021	1 YEAR OR LESS	1–5 YEARS	OVER 5 YEARS	TOTAL	CREDIT RISK	ASSET	LIABILITY
Swaps							
Hedge accounting	$ –	$ 42,227	$ –	$ 42,227	$ –	$ –	$ 90
No hedge accounting	769,567	972,623	771	1,742,961	20,401	20,401	17,683
Forward contracts							
Hedge accounting	16,167	38,341	–	54,508	20,771	20,771	–
	$ 785,734	$ 1,053,191	$ 771	$ 1,839,696	$ 41,172	$ 41,172	$ 17,773
2020							
Swaps							
Hedge accounting	$ –	$ 20,831	$ 135,731	$ 156,562	$ –	$ –	$ 214
No hedge accounting	992,444	1,058,001	15,081	2,065,526	35,770	35,770	32,854
Forward contracts							
Hedge accounting	14,890	36,650	–	51,540	1,564	1,564	1,446
	$ 1,007,334	$ 1,115,482	$ 150,812	$ 2,273,628	$ 37,334	$ 37,334	$ 34,514

The credit risk related to the Company's derivative financial instruments after giving effect to any netting agreements was $5.8 million (2020 – $3.8 million).

The credit risk related to the Company's derivative financial instruments after giving effect to netting agreements and including rights to future net interest income, was $0.7 million (2020 – $3.8 million). Rights to future net interest income are related to the Company's securitization activities and are not reflected on the Consolidated Balance Sheets.

NOTE 24 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.

Valuation methods used for Other investments classified as Level 3 include comparison to market transactions with arm's length third parties, use of market multiples, and discounted cash flow analysis.

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

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

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

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

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

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

Level 3 assets and liabilities include investments with little or no trading activity valued using broker-dealer quotes, loans, other financial assets, obligations to securitization entities and derivative financial instruments. Derivative financial instruments consist of principal reinvestment account swaps which represent the component of a swap entered into under the CMB Program whereby the Company pays coupons on Canada Mortgage Bonds and receives investment returns on the reinvestment of repaid mortgage 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. Level 3 Other investments of $1,291.4 million, are predominantly comprised of early-stage financial technology companies, including Wealthsimple with a fair value of $1,153 million. Fair value is determined by using observable transactions in the investments' securities, where available, forecasted cash flows, and other valuation metrics, including revenue multiples, used in the valuation of comparable public companies. A 5% increase (decrease) to each of these variables, individually, would result in an increase (decrease) in fair value of the Company's investment in Wealthsimple of approximately $60 million.

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.

2021	CARRYING VALUE	LEVEL 1	LEVEL 2	LEVEL 3	FAIR VALUE TOTAL
Financial assets recorded at fair value					
Other investments					
– FVTOCI	$ 1,291,434	$ –	$ –	$ 1,291,434	$ 1,291,434
– FVTPL	106,589	104,658	1,931	–	106,589
Loans					
– FVTPL	57,436	–	57,436	–	57,436
Derivative financial instruments	41,172	–	34,074	7,098	41,172
Financial assets recorded at amortized cost					
Loans					
– Amortized cost	5,296,406	–	270,156	5,083,991	5,354,147
Financial liabilities recorded at fair value					
Derivative financial instruments	17,773	–	11,635	6,138	17,773
Financial liabilities recorded at amortized cost					
Deposits and certificates	2,220,274	–	2,220,530	–	2,220,530
Obligations to securitization entities	5,057,917	–	–	5,146,420	5,146,420
Long-term debt	2,100,000	–	2,544,380	–	2,544,380

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.

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

2021	BALANCE JANUARY 1	GAINS/ (LOSSES) INCLUDED IN NET EARNINGS(1)	GAINS/(LOSSES) INCLUDED IN OTHER COMPREHENSIVE INCOME	PURCHASES AND ISSUANCES	SETTLEMENTS	TRANSFERS IN/OUT	BALANCE DECEMBER 31
Other investments							
– FVTOCI	$ 593,273	$ –	$ 964,761	$ 15,868	$ 282,468(2)	$ –	$ 1,291,434
– FVTPL	279	(181)	–	–	98	–	–
Derivative financial instruments, net	(21,103)	12,852	–	1,974	(7,237)	–	960

2020							
Other investments							
– FVTOCI	$ 301,196	$ –	$ 285,650	$ 6,427	$ –	$ –	$ 593,273
– FVTPL	563	(194)	–	–	90	–	279
Derivative financial instruments, net	(906)	(27,143)	–	1,727	(5,219)	–	(21,103)

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

(2) Related to disposition of a portion of IGM Financial Inc.'s investment in Wealthsimple (Note 5).

NOTE 25 EARNINGS PER COMMON SHARE

		2021		2020
Earnings				
Net earnings	$	980,887	$	764,606
Non-controlling interest		(1,938)		(198)
Net earnings available to common shareholders	$	978,949	$	764,408
Number of common shares *(in thousands)*				
Weighted average number of common shares outstanding		238,841		238,307
Add: Potential exercise of outstanding stock options(1)		1,178		–
Average number of common shares outstanding – Diluted basis		240,019		238,307
Earnings per common share *(in dollars)*				
Basic	$	4.10	$	3.21
Diluted	$	4.08	$	3.21

(1) *Excludes 272 thousand shares in 2021 related to outstanding stock options that were anti-dilutive (2020 – 2,934 thousand).*

NOTE 26 CONTINGENT LIABILITIES AND GUARANTEES

CONTINGENT LIABILITIES

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

GUARANTEES

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

NOTE 27 RELATED PARTY TRANSACTIONS

TRANSACTIONS AND BALANCES WITH RELATED ENTITIES

The Company enters into transactions with The Canada Life Assurance Company (Canada Life), which is a subsidiary of its affiliate, Lifeco, which is a subsidiary of Power Corporation of Canada. These transactions are in the normal course of operations and have been recorded at fair value:

- During 2021 and 2020, the Company provided to and received from Canada Life certain administrative services. The Company distributes insurance products under a distribution agreement with Canada Life and received $52.7 million in distribution fees (2020 – $45.1 million). The Company received $63.3 million (2020 – $18.4 million) and paid $22.6 million (2020 – $29.6 million) to Canada Life and related subsidiary companies for the provision of sub-advisory services for certain investment funds. The Company paid $15.5 million (2020 – $78.3 million) to Canada Life related to the distribution of certain investment funds of the Company.
- During 2021, the Company sold residential mortgage loans to Canada Life for $11.9 million (2020 – $20.9 million).

NOTE 27 RELATED PARTY TRANSACTIONS *(continued)*

TRANSACTIONS AND BALANCES WITH RELATED ENTITIES *(continued)*

After obtaining advanced tax rulings in October 2017, the Company agreed to tax loss consolidation transactions with the Power Corporation of Canada group whereby shares of a subsidiary that has generated tax losses may be acquired in each year up to and including 2020. On December 31, 2020, the Company acquired shares of such loss companies and recorded the benefit of the tax losses acquired. The benefits from these tax loss consolidation arrangements ended at December 31, 2020.

In 2020, additional transactions with related parties included the sale of Personal Capital (Note 9), the investment in Northleaf (Note 9), the acquisition of GLC Asset Management Group Ltd. and the sale of Quadrus Group of Funds (Note 30). On January 5, 2022, the Company entered into an agreement to acquire an additional interest in ChinaAMC from Power Corporation of Canada (Note 31).

KEY MANAGEMENT COMPENSATION

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

	2021	2020
Compensation and employee benefits	$ 3,981	$ 3,848
Post-employment benefits	3,793	13,522
Share-based payments	1,066	1,431
	$ 8,840	$ 18,801

Share-based payments exclude the fair value remeasurement of the deferred share units associated with changes in the Company's share price (Note 20).

NOTE 28 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 29 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 29 SEGMENTED INFORMATION *(continued)*

2021

	WEALTH MANAGEMENT	ASSET MANAGEMENT	STRATEGIC INVESTMENTS AND OTHER	INTERSEGMENT	TOTAL SEGMENT	ADJUSTMENTS[1]	TOTAL
Revenues							
Wealth management	$ 2,572,891	$ –	$ –	$ (19,291)	$ 2,553,600	$ –	$ 2,553,600
Asset management	–	1,126,007	–	(114,551)	1,011,456	–	1,011,456
Dealer compensation	–	(355,242)	–	19,272	(335,970)	–	(335,970)
Net asset management	–	770,765	–	(95,279)	675,486	–	675,486
Net investment income and other	3,619	5,850	2,722	(249)	11,942	10,600	22,542
Proportionate share of associates' earnings	–	–	196,367	–	196,367	–	196,367
	2,576,510	776,615	199,089	(114,819)	3,437,395	10,600	3,447,995
Expenses							
Advisory and business development	1,089,282	88,746	–	(19)	1,178,009	–	1,178,009
Operations and support	466,170	335,544	4,916	(250)	806,380	–	806,380
Sub-advisory	189,678	6,892	–	(114,550)	82,020	–	82,020
	1,745,130	431,182	4,916	(114,819)	2,066,409	–	2,066,409
	831,380	345,433	194,173	–	1,370,986	10,600	1,381,586
Interest expense[2]	90,284	23,652	–	–	113,936	–	113,936
Earnings before income taxes	741,096	321,781	194,173	–	1,257,050	10,600	1,267,650
Income taxes	197,959	81,026	4,916	–	283,901	2,862	286,763
	543,137	240,755	189,257	–	973,149	7,738	980,887
Non-controlling interest	–	–	(1,938)	–	(1,938)	–	(1,938)
	$ 543,137	$ 240,755	$ 187,319	$ –	971,211	7,738	978,949
Gain on sale of Personal Capital, net of tax					7,738	(7,738)	–
Net earnings available to common shareholders					$ 978,949	$ –	$ 978,949
Identifiable assets	$ 9,237,235	$ 1,514,124	$ 4,107,163	$ –	$ 14,858,522	$ –	$ 14,858,522
Goodwill	1,491,687	1,310,379	–	–	2,802,066	–	2,802,066
Total assets	$ 10,728,922	$ 2,824,503	$ 4,107,163	$ –	$ 17,660,588	$ –	$ 17,660,588

(1) *Gain on sale of Personal Capital is not related to a specific segment and therefore excluded from segment results. This item has been added back to Net investment income and other and Income taxes to reconcile Total Segment results to the Company's Consolidated Statements of Earnings.*

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

2020

	WEALTH MANAGEMENT	ASSET MANAGEMENT	STRATEGIC INVESTMENTS AND OTHER	INTERSEGMENT	TOTAL SEGMENT	ADJUSTMENTS[1]	TOTAL
Revenues							
Wealth management	$ 2,275,955	$ –	$ –	$ (16,379)	$ 2,259,576	$ –	$ 2,259,576
Asset management	–	913,579	–	(100,648)	812,931	–	812,931
Dealer compensation	–	(299,530)	–	16,367	(283,163)	–	(283,163)
Net asset management	–	614,049	–	(84,281)	529,768	–	529,768
Net investment income and other	2,299	2,900	5,960	(182)	10,977	67,232	78,209
Proportionate share of associates' earnings	–	–	147,029	–	147,029	3,400	150,429
	2,278,254	616,949	152,989	(100,842)	2,947,350	70,632	3,017,982
Expenses							
Advisory and business development	959,946	80,212	–	(12)	1,040,146	–	1,040,146
Operations and support	453,738	293,755	4,063	(182)	751,374	79,276	830,650
Sub-advisory	163,197	8,664	–	(100,648)	71,213	–	71,213
	1,576,881	382,631	4,063	(100,842)	1,862,733	79,276	1,942,009
	701,373	234,318	148,926	–	1,084,617	(8,644)	1,075,973
Interest expense[2]	89,925	20,672	–	–	110,597	–	110,597
Earnings before income taxes	611,448	213,646	148,926	–	974,020	(8,644)	965,376
Income taxes	162,604	55,663	(7,333)	–	210,934	(10,164)	200,770
	448,844	157,983	156,259	–	763,086	1,520	764,606
Non-controlling interest	–	–	(198)	–	(198)	–	(198)
	$ 448,844	$ 157,983	$ 156,061	$ –	762,888	1,520	764,408
Gain on sale of Personal Capital, net of tax					31,387	(31,387)	–
Gain on sale of QGOF net of acquisition costs, net of tax					21,374	(21,374)	–
Proportionate share of associate's adjustments					3,400	(3,400)	–
Restructuring and other charges, net of tax					(54,641)	54,641	–
Net earnings available to common shareholders					$ 764,408	$ –	$ 764,408
Identifiable assets	$ 8,984,472	$ 1,509,729	$ 2,765,078	$ –	$ 13,259,279	$ –	$ 13,259,279
Goodwill	1,491,687	1,311,388	–	–	2,803,075	–	2,803,075
Total assets	$ 10,476,159	$ 2,821,117	$ 2,765,078	$ –	$ 16,062,354	$ –	$ 16,062,354

(1) *Gain on sale of Personal Capital, Gain on sale of Quadrus Group of Funds (QGOF) net of acquisition costs, Proportionate share of associate's adjustments, and Restructuring and other changes 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.*

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

NOTE 30 ACQUISITIONS

GLC Asset Management Group Ltd. (GLC)

On December 31, 2020, the Company's subsidiary, Mackenzie, acquired all of the common shares of GLC, a wholly-owned subsidiary of Great-West Lifeco Inc. (Lifeco), for cash consideration of $185.0 million. Net cash outflow related to the transaction was $175.8 million, including acquisition costs of $3.8 million and $13.0 million in cash acquired.

In a separate transaction, Lifeco's subsidiary, Canada Life Assurance Company (Canada Life) acquired the fund management contracts relating to private label Quadrus Group of Funds (QGOF) from Mackenzie for cash consideration of $30.0 million. Mackenzie was previously the manager and trustee of the QGOF. Subsequent to the sale, Mackenzie continues to provide investment and administration services to the QGOF.

The fair value of the identifiable assets of GLC at the date of acquisition were:

Purchase price allocation		
Cash and cash equivalents	$	13,003
Other current assets		2,528
Deferred tax asset		945
Intangible assets		56,763
Goodwill(1)		134,799
Accounts payable and accrued liabilities		(8,482)
Deferred tax liability		(14,522)
	$	185,034

(1) nil deductible for tax purposes

Goodwill is attributable to synergies including expansion of Mackenzie's distribution reach into the fast-growing group retirement business. Identified intangible assets are comprised of finite life management contracts valued at $56.8 million.

As GLC was acquired on December 31, 2020, it did not impact the Company's revenues and expenses in 2020.

GREENCHIP FINANCIAL CORP. (GREENCHIP)

On December 22, 2020, Mackenzie acquired 100% of Greenchip, a Canadian firm focused exclusively on the environmental economy since 2007. During 2021, the Company finalized the purchase price allocation which resulted in an increase to the fair value of identifiable assets of $1.0 million and an offsetting decrease to goodwill of $1.0 million.

NOTE 31 SUBSEQUENT EVENT

On January 5, 2022, the Company entered into an agreement to acquire an additional 13.9% interest in ChinaAMC for cash consideration of $1.15 billion from Power Corporation of Canada (Power), which will increase the Company's equity interest in ChinaAMC from 13.9% to 27.8%. To partially fund the transaction, the Company will sell 15,200,662 common shares of Lifeco to Power for cash consideration of $575 million, which will reduce the Company's equity interest in Lifeco from 4.0% to 2.4%. These transactions are expected to close in the first half of 2022, subject to customary closing conditions, including Chinese regulatory approvals. The sale of Lifeco shares is conditional on the Company's purchase of the ChinaAMC shares.