

Interim condensed consolidated financial statements

Consolidated Statements of Earnings

	<i>Three months ended March 31</i>	
	2022	2021
<i>(unaudited)</i>		
<i>(in thousands of Canadian dollars, except per share amounts)</i>		
Revenues		
Wealth management (Note 3)	\$ 641,205	\$ 603,451
Asset management	255,830	232,990
Dealer compensation expense	(86,191)	(80,709)
Net asset management (Note 3)	169,639	152,281
Net investment income and other	(2,018)	3,134
Proportionate share of associates' earnings (Note 7)	48,400	41,589
	857,226	800,455
Expenses		
Advisory and business development	309,108	284,026
Operations and support	215,428	206,539
Sub-advisory	20,638	19,729
Interest	28,133	28,120
	573,307	538,414
Earnings before income taxes	283,919	262,041
Income taxes	63,754	59,671
Net earnings	220,165	202,370
Non-controlling interest (Note 7)	(849)	(190)
Net earnings available to common shareholders	\$ 219,316	\$ 202,180
Earnings per share (in dollars) (Note 14)		
– Basic	\$ 0.91	\$ 0.85
– Diluted	\$ 0.91	\$ 0.85

(See accompanying notes to interim condensed consolidated financial statements)

Consolidated Statements of Comprehensive Income

Three months ended March 31

(unaudited)

(in thousands of Canadian dollars)

	2022	2021
Net earnings	\$ 220,165	\$ 202,370
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 4), net of tax of \$31,018 and \$(125,034)	(198,745)	801,145
Employee benefits		
Net actuarial gains (losses), net of tax of \$(25,771) and \$(30,740)	69,688	83,115
Investment in associates – employee benefits and other		
Other comprehensive income (loss), net of tax of nil	(118)	4,593
Items that may be reclassified subsequently to Net earnings		
Investment in associates and other		
Other comprehensive income (loss), net of tax of \$1,337 and \$231	(8,557)	(17,605)
	(137,732)	871,248
Total comprehensive income	\$ 82,433	\$ 1,073,618

(See accompanying notes to interim condensed consolidated financial statements)

Consolidated Balance Sheets

(unaudited)
(in thousands of Canadian dollars)

	2022 March 31	2021 December 31
Assets		
Cash and cash equivalents	\$ 1,184,686	\$ 1,292,446
Other investments (Note 4)	1,194,602	1,398,023
Client funds on deposit	2,599,867	2,238,624
Accounts and other receivables	407,695	387,157
Income taxes recoverable	25,941	17,344
Loans (Note 5)	5,125,223	5,353,842
Derivative financial instruments	47,199	41,172
Other assets	112,654	54,298
Investment in associates (Note 7)	2,039,050	2,048,255
Capital assets	317,422	315,964
Capitalized sales commissions	352,220	325,424
Deferred income taxes	3,700	29,269
Intangible assets	1,356,819	1,356,704
Goodwill	2,802,173	2,802,066
	\$ 17,569,251	\$ 17,660,588
Liabilities		
Accounts payable and accrued liabilities	\$ 480,773	\$ 553,429
Income taxes payable	8,062	104,113
Derivative financial instruments	26,392	17,773
Deposits and certificates	2,592,634	2,220,274
Other liabilities	407,325	382,466
Obligations to securitization entities (Note 6)	4,846,165	5,057,917
Lease obligations	192,294	197,969
Deferred income taxes	497,916	525,476
Long-term debt	2,100,000	2,100,000
	11,151,561	11,159,417
Shareholders' Equity		
Share capital		
Common shares	1,688,707	1,658,680
Contributed surplus	50,296	51,069
Retained earnings	3,881,144	3,856,996
Accumulated other comprehensive income (loss)	745,351	883,083
Non-controlling interest	52,192	51,343
	6,417,690	6,501,171
	\$ 17,569,251	\$ 17,660,588

These interim condensed consolidated financial statements were approved and authorized for issuance by the Board of Directors on May 5, 2022.

(See accompanying notes to interim condensed consolidated financial statements)

Consolidated Statements of Changes in Shareholders' Equity

Three months ended March 31

<i>(unaudited)</i> <i>(in thousands of Canadian dollars)</i>	Share capital – Common shares <i>(Note 8)</i>	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss) <i>(Note 11)</i>	Non- controlling interest	Total shareholders' equity
2022						
Balance, beginning of period	\$ 1,658,680	\$ 51,069	\$ 3,856,996	\$ 883,083	\$ 51,343	\$ 6,501,171
Net earnings	-	-	220,165	-	-	220,165
Other comprehensive income (loss), net of tax	-	-	-	(137,732)	-	(137,732)
Total comprehensive income	-	-	220,165	(137,732)	-	82,433
Common shares						
Issued under stock option plan	34,012	-	-	-	-	34,012
Purchased for cancellation	(3,985)	-	-	-	-	(3,985)
Stock options						
Current period expense	-	1,083	-	-	-	1,083
Exercised	-	(1,856)	-	-	-	(1,856)
Common share dividends	-	-	(135,017)	-	-	(135,017)
Non-controlling interest	-	-	(849)	-	849	-
Common share cancellation excess and other	-	-	(60,151)	-	-	(60,151)
Balance, end of period	\$ 1,688,707	\$ 50,296	\$ 3,881,144	\$ 745,351	\$ 52,192	\$ 6,417,690
2021						
Balance, beginning of period	\$ 1,598,381	\$ 51,663	\$ 3,207,469	\$ 136,364	\$ 48,913	\$ 5,042,790
Net earnings	-	-	202,370	-	-	202,370
Other comprehensive income (loss), net of tax	-	-	-	871,248	-	871,248
Total comprehensive income	-	-	202,370	871,248	-	1,073,618
Common shares						
Issued under stock option plan	2,706	-	-	-	-	2,706
Stock options						
Current period expense	-	853	-	-	-	853
Exercised	-	(120)	-	-	-	(120)
Common share dividends	-	-	(134,090)	-	-	(134,090)
Non-controlling interest	-	-	(190)	-	601	411
Other	-	-	444	-	-	444
Balance, end of period	\$ 1,601,087	\$ 52,396	\$ 3,276,003	\$ 1,007,612	\$ 49,514	\$ 5,986,612

(See accompanying notes to interim condensed consolidated financial statements.)

Consolidated Statements of Cash Flows

	<i>Three months ended March 31</i>	
	2022	2021
<i>(unaudited)</i>		
<i>(in thousands of Canadian dollars)</i>		
Operating activities		
Earnings before income taxes	\$ 283,919	\$ 262,041
Income taxes paid	(160,622)	(55,343)
Adjustments to determine net cash from operating activities		
Capitalized sales commission amortization	17,660	12,074
Capitalized sales commissions paid	(44,456)	(40,146)
Amortization of capital, intangible and other assets	25,291	24,044
Proportionate share of associates' earnings, net of dividends received	(30,105)	(25,235)
Pension and other post-employment benefits	913	5,826
Changes in operating assets and liabilities and other	(22,257)	(109,870)
Cash from operating activities before restructuring provision payments	70,343	73,391
Restructuring provision cash payments	(5,391)	(20,949)
	64,952	52,442
Financing activities		
Net increase (decrease) in deposits and certificates	22	(3,648)
Increase in obligations to securitization entities	106,809	351,929
Repayments of obligations to securitization entities and other	(328,853)	(678,918)
Repayment of lease obligations	(6,320)	(6,382)
Issue of common shares	32,156	2,586
Common shares purchased for cancellation	(25,697)	-
Common share dividends paid	(134,816)	(134,048)
	(356,699)	(468,481)
Investing activities		
Purchase of other investments	(31,427)	(35,870)
Proceeds from the sale of other investments	5,265	15,576
Increase in loans	(300,011)	(380,502)
Repayment of loans and other	536,971	727,125
Net additions to capital assets	(12,266)	(5,245)
Net cash used in additions to intangible assets	(14,545)	(18,823)
	183,987	302,261
Decrease in cash and cash equivalents	(107,760)	(113,778)
Cash and cash equivalents, beginning of period	1,292,446	771,585
Cash and cash equivalents, end of period	\$ 1,184,686	\$ 657,807
Cash	\$ 349,565	\$ 50,192
Cash equivalents	835,121	607,615
	\$ 1,184,686	\$ 657,807
Supplemental disclosure of cash flow information related to operating activities		
Interest and dividends received	\$ 50,053	\$ 57,794
Interest paid	\$ 50,899	\$ 58,411

(See accompanying notes to interim condensed consolidated financial statements.)

Notes to the Interim Condensed Consolidated Financial Statements

March 31, 2022 (unaudited) (In thousands of Canadian dollars, except shares and per share amounts)

Note 1. Corporate information

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

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

Note 2. Summary of significant accounting policies

The unaudited Interim Condensed Consolidated Financial Statements of the Company (Interim Financial Statements) have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, using the accounting policies as set out in this note and in Note 2 to the Consolidated Financial Statements for the year ended December 31, 2021. The Interim Financial Statements should be read in conjunction with the Consolidated Financial Statements in the 2021 IGM Financial Inc. Annual Report.

Future accounting changes

The Company continuously monitors the potential changes proposed by the IASB and analyzes the effect that changes in the standards may have on the Company's operations.

Note 3. Revenues from contracts with customers

	<i>Three months ended March 31</i>	
	2022	2021
Advisory fees	\$ 353,333	\$ 328,460
Product and program fees	241,310	224,808
	594,643	553,268
Redemption fees	1,459	3,760
Other financial planning revenues	45,103	46,423
Wealth management	641,205	603,451
Asset management	255,830	232,990
Dealer compensation expense	(86,191)	(80,709)
Net asset management	169,639	152,281
Net revenues from contracts with customers	\$ 810,844	\$ 755,732

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

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

Note 4. Other investments

	March 31, 2022		December 31, 2021	
	Cost	Fair Value	Cost	Fair Value
Fair value through other comprehensive income (FVTOCI)				
Corporate investments	\$ 227,385	\$ 1,062,836	\$ 226,220	\$ 1,291,434
Fair value through profit or loss (FVTPL)				
Equity securities	1,214	1,540	1,173	1,552
Proprietary investment funds	130,761	130,226	101,327	105,037
	131,975	131,766	102,500	106,589
	\$ 359,360	\$ 1,194,602	\$ 328,720	\$ 1,398,023

Wealthsimple Financial Corp. (Wealthsimple) is a financial company that provides simple digital tools for growing and managing your money. 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. IGM Financial Inc. holds directly and indirectly a 23% interest in Wealthsimple (2021 – 23%) valued at \$925 million at March 31, 2022, representing a decrease of \$228 million or 20% compared to December 31, 2021 fair value of \$1,153 million.

Note 5. Loans

	Contractual maturity			March 31, 2022 Total	December 31, 2021 Total
	1 year or less	1 - 5 years	Over 5 years		
Amortized cost					
Residential mortgages	\$ 1,118,620	\$ 3,978,222	\$ 4,163	\$ 5,101,005	\$ 5,297,054
Less: Allowance for expected credit losses				648	648
				5,100,357	5,296,406
Fair value through profit or loss				24,866	57,436
				\$ 5,125,223	\$ 5,353,842
The change in the allowance for expected credit losses is as follows:					
Balance, beginning of year				\$ 648	\$ 778
Write-offs, net of recoveries				(52)	(407)
Expected credit losses				52	277
Balance, end of year				\$ 648	\$ 648

Total credit impaired loans as at March 31, 2022 were \$4,527 (December 31, 2021 – \$2,822).

Total interest income on loans was \$32.7 million (2021 – \$42.5 million). Total interest expense on obligations to securitization entities, related to securitized loans, was \$24.1 million (2021 – \$31.2 million). Losses realized on the sale of residential mortgages totalled \$0.7 million (2021 – gains of \$2.3 million). Fair value adjustments related to mortgage banking operations totalled \$4.0 million (2021 – negative \$0.9 million). These amounts were included in Wealth management revenue. Wealth management revenue also includes other mortgage banking related items including portfolio insurance, issue costs, and other items.

Note 6. Securitizations

The Company securitizes residential mortgages through the Canada Mortgage and Housing Corporation (CMHC) sponsored National Housing Act Mortgage-Backed Securities (NHA MBS) Program and Canada Mortgage Bond (CMB) Program and through Canadian bank-sponsored asset-backed commercial paper (ABCP) programs. These transactions do not meet the requirements for derecognition as the Company retains prepayment risk and certain elements of credit risk. Accordingly, the Company has retained these mortgages on its balance sheets and has recorded offsetting liabilities for the net proceeds received as Obligations to securitization entities which are recorded at amortized cost.

The Company earns interest on the mortgages and pays interest on the obligations to securitization entities. As part of the CMB transactions, the Company enters into a swap transaction whereby the Company pays coupons on CMBs and receives investment returns on the NHA MBS and the reinvestment of repaid mortgage principal. A component of this swap, related to the obligation to pay CMB coupons and receive investment returns on repaid mortgage principal, and the hedging swap used to manage exposure to changes in variable rate investment returns, are recorded as derivatives with a fair value of \$6.0 million at March 31, 2022 (December 31, 2021 – \$4.5 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.

	Securitized mortgages	Obligations to securitization entities	Net
March 31, 2022			
Carrying value			
NHA MBS and CMB Program	\$ 2,625,123	\$ 2,613,233	\$ 11,890
Bank sponsored ABCP	2,194,631	2,232,932	(38,301)
Total	\$ 4,819,754	\$ 4,846,165	\$ (26,411)
Fair value	\$ 4,772,524	\$ 4,828,542	\$ (56,018)
December 31, 2021			
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)

The carrying value of Obligations to securitization entities, which is recorded net of issue costs, includes principal payments received on securitized mortgages that are not due to be settled until after the reporting period. Issue costs are amortized over the life of the obligation on an effective interest rate basis.

Note 7. Investment in associates

	Lifeco	ChinaAMC	Northleaf	Total
March 31, 2022				
Balance, beginning of period	\$ 1,020,700	\$ 768,724	\$ 258,831	\$ 2,048,255
Dividends	(18,295)	(31,319)	-	(49,614)
Proportionate share of:				
Earnings	30,668	13,489	4,243 ⁽¹⁾	48,400
Other comprehensive income (loss) and other adjustments	(806)	(7,185)	-	(7,991)
Balance, end of period	\$ 1,032,267	\$ 743,709	\$ 263,074	\$ 2,039,050
March 31, 2021				
Balance, beginning of period	\$ 962,388	\$ 720,282	\$ 248,498	\$ 1,931,168
Additions	-	-	181	181
Dividends	(16,354)	(26,877)	-	(43,231)
Proportionate share of:				
Earnings	28,089	12,550	950 ⁽¹⁾	41,589
Other comprehensive income (loss) and other adjustments	(5,557)	(12,285)	-	(17,842)
Balance, end of period	\$ 968,566	\$ 693,670	\$ 249,629	\$ 1,911,865

(1) For the three months ended March 31, 2022, the Company's proportionate share of Northleaf's earnings net of Non-controlling interest was \$3,394 (2021 – \$760).

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.

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 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.

Note 8. Share capital

Authorized

Unlimited number of:

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

Issued and outstanding

	March 31, 2022		March 31, 2021	
	Shares	Stated value	Shares	Stated value
Common shares:				
Balance, beginning of period	239,679,043	\$ 1,658,680	238,308,284	\$ 1,598,381
Issued under Stock Option Plan	867,578	34,012	74,244	2,706
Purchased for cancellation	(570,000)	(3,985)	-	-
Balance, end of period	239,976,621	\$ 1,688,707	238,382,528	\$ 1,601,087

Normal course issuer bid

The Company commenced a normal course issuer bid on March 1, 2022 which is effective until the earlier of February 28, 2023 and the date on which the Company has purchased the maximum number of common shares permitted under the normal course issuer bid. Pursuant to this bid, the Company may purchase up to 6.0 million or approximately 2.5% of its common shares outstanding as at February 15, 2022.

In the three months ended March 31, 2022, there were 570,000 shares (2021 – nil) purchased at a cost of \$25.7 million. The premium paid to purchase the shares in excess of the stated value was charged to Retained earnings.

In connection with its normal course issuer bid, the Company has established an automatic securities purchase plan for its common shares. The automatic securities purchase plan provides standard instructions regarding how the Company's common shares are to be purchased under its normal course issuer bid during certain pre-determined trading blackout periods. Outside of these pre-determined trading blackout periods, purchases under the Company's normal course issuer bid will be completed based upon management's discretion.

Note 9. Capital management

The capital management policies, procedures and activities of the Company are discussed in the Capital Resources section of the Company's Management's Discussion and Analysis contained in the First Quarter 2022 Report to Shareholders and in Note 19 to the Consolidated Financial Statements in the 2021 IGM Financial Inc. Annual Report and have not changed significantly since December 31, 2021.

Note 10. Share-based payments

Stock option plan

	March 31 2022	December 31 2021
Common share options		
– Outstanding	11,873,785	11,712,164
– Exercisable	6,500,013	6,179,244

In the three months ended March 31, 2022, the Company granted 1,372,090 options to employees (2021 – 1,604,340). The weighted-average fair value of options granted during the three months ended March 31, 2022, has been estimated at \$4.98 per option (2021 – \$2.68) using the Black-Scholes option pricing model. The weighted-average closing share price at the grant dates was \$44.76.

Other assumptions used in these valuation models include:

	<i>Three months ended March 31</i>	
	2022	2021
Exercise price	\$45.50	\$35.01
Risk-free interest rate	1.93%	1.29%
Expected option life	7 years	7 years
Expected volatility	23.00%	23.00%
Expected dividend yield	5.02%	6.45%

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

Note 11. Accumulated other comprehensive income (loss)

	Employee benefits	Other investments	Investment in associates and other	Total
March 31, 2022				
Balance, beginning of period	\$ (95,666)	\$ 919,152	\$ 59,597	\$ 883,083
Other comprehensive income (loss)	69,688	(198,745)	(8,675)	(137,732)
Balance, end of period	\$ (25,978)	\$ 720,407	\$ 50,922	\$ 745,351
March 31, 2021				
Balance, beginning of period	\$ (196,949)	\$ 293,448	\$ 39,865	\$ 136,364
Other comprehensive income (loss)	83,115	801,145	(13,012)	871,248
Balance, end of period	\$ (113,834)	\$ 1,094,593	\$ 26,853	\$ 1,007,612

Amounts are recorded net of tax.

Note 12. Risk management

The risk management policies and procedures of the Company are discussed in the Financial Instruments Risk section of the Company's Management's Discussion and Analysis contained in the First Quarter 2022 Report to Shareholders and in Note 22 to the Consolidated Financial Statements in the 2021 IGM Financial Inc. Annual Report and have not changed significantly since December 31, 2021.

Note 13. Fair value of financial instruments

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

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

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

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

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

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

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

Fair value is determined using the following methods and assumptions:

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

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

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

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 \$1,063 million are predominantly comprised of early-stage financial technology companies, including Wealthsimple with a fair value of \$925 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 forecasted cash flows or revenue multiples would result in an increase (decrease) in fair value of the Company's investment in Wealthsimple of approximately \$44 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.

	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
March 31, 2022					
Financial assets recorded at fair value					
Other investments					
– FVTOCI	\$ 1,062,836	\$ –	\$ –	\$ 1,062,836	\$ 1,062,836
– FVTPL	131,766	130,116	1,650	–	131,766
Loans					
– FVTPL	24,866	–	24,866	–	24,866
Derivative financial instruments	47,199	–	28,997	18,202	47,199
Financial assets recorded at amortized cost					
Loans					
– Amortized cost	5,100,357	–	275,583	4,772,524	5,048,107
Financial liabilities recorded at fair value					
Derivative financial instruments	26,392	–	22,024	4,368	26,392
Financial liabilities recorded at amortized cost					
Deposits and certificates	2,592,634	–	2,592,758	–	2,592,758
Obligations to securitization entities	4,846,165	–	–	4,828,542	4,828,542
Long-term debt	2,100,000	–	2,271,255	–	2,271,255

	Carrying value	Fair value				Total
		Level 1	Level 2	Level 3		
December 31, 2021						
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

There were no significant transfers between Level 1 and Level 2 in 2022 and 2021.

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

	Balance January 1	Gains (losses) included in Net earnings ⁽¹⁾	Gains (losses) included in Other comprehensive income	Purchases and issuances	Settlements	Transfers in (out)	Balance March 31
March 31, 2022							
Other investments							
– FVTOCI	\$ 1,291,434	\$ –	\$ (229,763)	\$ 1,165	\$ –	\$ –	\$ 1,062,836
Derivative financial instruments, net	960	11,506	–	290	(1,078)	–	13,834
March 31, 2021							
Other investments							
– FVTOCI	\$ 593,273	\$ –	\$ 926,179	\$ 4,150	\$ –	\$ –	\$ 1,523,602
– FVTPL	279	49	–	–	–	–	328
Derivative financial instruments, net	(21,103)	6,802	–	707	(1,905)	–	(11,689)

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

Note 14. Earnings per common share

	Three months ended March 31	
	2022	2021
Earnings		
Net earnings	\$ 220,165	\$ 202,370
Non-controlling interest	(849)	(190)
Net earnings available to common shareholders	\$ 219,316	\$ 202,180
Number of common shares (in thousands)		
Weighted average number of common shares outstanding	239,770	238,323
Add: Potential exercise of outstanding stock options ⁽¹⁾	1,481	151
Average number of common shares outstanding – diluted basis	241,251	238,474
Earnings per common share (in dollars)		
– Basic	\$ 0.91	\$ 0.85
– Diluted	\$ 0.91	\$ 0.85

(1) Excludes 293 thousand shares for the three months ended March 31, 2022 (2021 – 1,534 thousand) related to outstanding stock options that were anti-dilutive.

Note 15. COVID-19

Governments worldwide continue to have varying degrees of restrictions and measures to combat the impacts of COVID-19. These measures, which have included 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.

The Company continues to leverage its business continuity plan as a result of these events, which included moving substantially all employees and advisors to work from home and further supporting the Company's information technology infrastructure. The Company has initiated a phased approach to returning to the office and will continue to monitor developments to guide its approach.

There continues to be uncertainty regarding the impact of new variants of the virus, and this contributes towards uncertainty of the timing of a full economic recovery. As a result, it is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operating subsidiaries in future periods.

Note 16. Segmented information

The Company's reportable segments are:

- Wealth Management
- Asset Management
- Strategic Investments and Other

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

- **Wealth Management** – reflects the activities of operating companies that are principally focused on providing financial planning and related services to Canadian households. This segment includes the activities of IG Wealth Management and Investment Planning Counsel. These firms are retail distribution organizations who serve Canadian households through their securities dealers, mutual fund dealers and other subsidiaries licensed to distribute financial products and services. A majority of the revenues of this segment are derived from providing financial advice and distributing financial products and services to Canadian households. This segment also includes the investment management activities of these organizations, including mutual fund management and discretionary portfolio management services.

- **Asset Management** – reflects the activities of operating companies primarily focused on providing investment management services, and represents the operations of Mackenzie Investments. Investment management services are provided to a suite of investment funds that are distributed through third party dealers and financial advisors, and also through institutional advisory mandates to financial institutions, pensions and other institutional investors.
- **Strategic Investments and Other** – primarily represents the key strategic investments made by the Company, including China Asset Management Co., Ltd., Great-West Lifeco Inc., Northleaf Capital Group Ltd., Wealthsimple Financial Corp., and Portage Ventures LPs. Unallocated capital is also included within this segment.

2022

<i>Three months ended March 31</i>	Wealth Management	Asset Management	Strategic Investments and Other	Intersegment	Total
Revenues					
Wealth management	\$ 646,131	\$ -	\$ -	\$ (4,926)	\$ 641,205
Asset management	-	284,833	-	(29,003)	255,830
Dealer compensation	-	(91,116)	-	4,925	(86,191)
Net asset management	-	193,717	-	(24,078)	169,639
Net investment income and other	(17)	(2,616)	688	(73)	(2,018)
Proportionate share of associates' earnings	-	-	48,400	-	48,400
	646,114	191,101	49,088	(29,077)	857,226
Expenses					
Advisory and business development	288,967	20,143	-	(2)	309,108
Operations and support	121,031	93,066	1,404	(73)	215,428
Sub-advisory	48,136	1,504	-	(29,002)	20,638
	458,134	114,713	1,404	(29,077)	545,174
	187,980	76,388	47,684	-	312,052
Interest expense ⁽¹⁾	22,291	5,842	-	-	28,133
Earnings before income taxes	165,689	70,546	47,684	-	283,919
Income taxes	44,295	18,405	1,054	-	63,754
	121,394	52,141	46,630	-	220,165
Non-controlling interest	-	-	(849)	-	(849)
Net earnings available to common shareholders	\$ 121,394	\$ 52,141	\$ 45,781	\$ -	\$ 219,316
Identifiable assets	\$ 9,252,471	\$ 1,607,961	\$ 3,906,646	\$ -	\$ 14,767,078
Goodwill	1,491,687	1,310,486	-	-	2,802,173
Total assets	\$ 10,744,158	\$ 2,918,447	\$ 3,906,646	\$ -	\$ 17,569,251

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

2021

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

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