

Interim Condensed Consolidated Financial Statements

Consolidated Statements of Earnings

<i>(unaudited)</i> <i>(in thousands of Canadian dollars, except per share amounts)</i>	<i>Three months ended</i> <i>September 30</i>		<i>Nine months ended</i> <i>September 30</i>	
	2022	2021	2022	2021
Revenues				
Wealth management <i>(Note 3)</i>	\$ 606,816	\$ 655,052	\$ 1,859,087	\$ 1,886,141
Asset management	235,375	263,436	732,790	744,738
Dealer compensation expense	(72,916)	(85,913)	(236,528)	(249,323)
Net asset management <i>(Note 3)</i>	162,459	177,523	496,262	495,415
Net investment income and other	11,126	2,500	8,568	8,109
Proportionate share of associates' earnings <i>(Note 7)</i>	46,899	55,903	145,332	145,645
	827,300	890,978	2,509,249	2,535,310
Expenses				
Advisory and business development	294,338	293,981	907,274	869,131
Operations and support	205,565	197,641	627,419	600,865
Sub-advisory	17,890	20,757	56,839	60,958
Interest	28,591	28,636	85,110	85,252
	546,384	541,015	1,676,642	1,616,206
Earnings before income taxes	280,916	349,963	832,607	919,104
Income taxes	63,879	78,382	187,074	207,407
Net earnings	217,037	271,581	645,533	711,697
Non-controlling interest <i>(Note 7)</i>	(915)	(733)	(2,994)	(1,280)
Net earnings available to common shareholders	\$ 216,122	\$ 270,848	\$ 642,539	\$ 710,417
Earnings per share <i>(in dollars)</i> <i>(Note 14)</i>				
– Basic	\$ 0.91	\$ 1.13	\$ 2.69	\$ 2.98
– Diluted	\$ 0.91	\$ 1.13	\$ 2.68	\$ 2.97

(See accompanying notes to interim condensed consolidated financial statements)

Consolidated Statements of Comprehensive Income

<i>(unaudited)</i> <i>(in thousands of Canadian dollars)</i>	<i>Three months ended</i> <i>September 30</i>		<i>Nine months ended</i> <i>September 30</i>	
	2022	2021	2022	2021
Net earnings	\$ 217,037	\$ 271,581	\$ 645,533	\$ 711,697
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) <i>(Note 4)</i> , net of tax of \$(248), \$39, \$91,316 and \$(125,320)	1,595	(233)	(581,069)	802,992
Employee benefits				
Net actuarial gains (losses), net of tax of \$2,883, \$(7,379), \$(28,625) and \$(38,616)	(7,807)	19,948	77,488	104,412
Investment in associates – employee benefits and other				
Other comprehensive income (loss), net of tax of nil	4,368	910	15,373	22,940
Items that may be reclassified subsequently to Net earnings				
Investment in associates and other				
Other comprehensive income (loss), net of tax of \$(1,347), \$(2,160), \$4,647 and \$(3,302)	3,660	10,225	(52,947)	(17,981)
	1,816	30,850	(541,155)	912,363
Total comprehensive income (loss)	\$ 218,853	\$ 302,431	\$ 104,378	\$ 1,624,060

(See accompanying notes to interim condensed consolidated financial statements)

Consolidated Balance Sheets

(unaudited)
(in thousands of Canadian dollars)

September 30
2022

December 31
2021

Assets

Cash and cash equivalents	\$ 1,049,505	\$ 1,292,446
Other investments (Note 4)	751,796	1,398,023
Client funds on deposit	3,154,154	2,238,624
Accounts and other receivables	395,896	387,157
Income taxes recoverable	30,267	17,344
Loans (Note 5)	5,089,369	5,353,842
Derivative financial instruments	59,611	41,172
Other assets	131,969	54,298
Investment in associates (Note 7)	2,077,501	2,048,255
Capital assets	323,119	315,964
Capitalized sales commissions	370,770	325,424
Deferred income taxes	2,282	29,269
Intangible assets	1,356,513	1,356,704
Goodwill	2,802,173	2,802,066
	\$ 17,594,925	\$ 17,660,588

Liabilities

Accounts payable and accrued liabilities	\$ 508,976	\$ 553,429
Income taxes payable	4,699	104,113
Derivative financial instruments	56,493	17,773
Deposits and certificates	3,144,200	2,220,274
Other liabilities	340,038	382,466
Obligations to securitization entities (Note 6)	4,680,417	5,057,917
Lease obligations	192,690	197,969
Deferred income taxes	441,341	525,476
Long-term debt	2,100,000	2,100,000
	11,468,854	11,159,417

Shareholders' Equity

Share capital		
Common shares	1,672,382	1,658,680
Contributed surplus	52,865	51,069
Retained earnings	4,018,591	3,856,996
Accumulated other comprehensive income (loss)	317,896	883,083
Non-controlling interest	64,337	51,343
	6,126,071	6,501,171
	\$ 17,594,925	\$ 17,660,588

These interim condensed consolidated financial statements were approved and authorized for issuance by the Board of Directors on November 3, 2022.

(See accompanying notes to interim condensed consolidated financial statements)

Consolidated Statements of Changes in Shareholders' Equity

	<i>Nine months ended September 30</i>					
<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	-	-	645,533	-	-	645,533
Other comprehensive income (loss), net of tax	-	-	-	(541,155)	-	(541,155)
Total comprehensive income	-	-	645,533	(541,155)	-	104,378
Common shares						
Issued under stock option plan	34,012	-	-	-	-	34,012
Purchased for cancellation	(20,310)	-	-	-	-	(20,310)
Stock options						
Current period expense	-	3,651	-	-	-	3,651
Exercised	-	(1,855)	-	-	-	(1,855)
Common share dividends	-	-	(402,381)	-	-	(402,381)
Non-controlling interest	-	-	(2,994)	-	12,994	10,000
Transfer out of fair value through other comprehensive income <i>(Note 4)</i>	-	-	24,032	(24,032)	-	-
Common share cancellation excess and other	-	-	(102,595)	-	-	(102,595)
Balance, end of period	\$ 1,672,382	\$ 52,865	\$ 4,018,591	\$ 317,896	\$ 64,337	\$ 6,126,071
2021						
Balance, beginning of period	\$ 1,598,381	\$ 51,663	\$ 3,207,469	\$ 136,364	\$ 48,913	\$ 5,042,790
Net earnings	-	-	711,697	-	-	711,697
Other comprehensive income (loss), net of tax	-	-	-	912,363	-	912,363
Total comprehensive income	-	-	711,697	912,363	-	1,624,060
Common shares						
Issued under stock option plan	35,123	-	-	-	-	35,123
Stock options						
Current period expense	-	2,833	-	-	-	2,833
Exercised	-	(2,209)	-	-	-	(2,209)
Common share dividends	-	-	(402,979)	-	-	(402,979)
Non-controlling interest	-	-	(1,280)	-	1,772	492
Transfer out of fair value through other comprehensive income <i>(Note 4)</i>	-	-	206,650	(206,650)	-	-
Other	-	-	(121)	-	-	(121)
Balance, end of period	\$ 1,633,504	\$ 52,287	\$ 3,721,436	\$ 842,077	\$ 50,685	\$ 6,299,989

(See accompanying notes to interim condensed consolidated financial statements)

Consolidated Statements of Cash Flows

Nine months ended September 30

(unaudited)

(in thousands of Canadian dollars)

	2022	2021
Operating activities		
Earnings before income taxes	\$ 832,607	\$ 919,104
Income taxes paid	(286,081)	(126,472)
Adjustments to determine net cash from operating activities		
Capitalized sales commission amortization	56,677	40,530
Capitalized sales commissions paid	(101,343)	(111,704)
Amortization of capital, intangible and other assets	77,801	74,432
Proportionate share of associates' earnings, net of dividends received	(59,129)	(69,707)
Pension and other post-employment benefits	6,535	12,459
Changes in operating assets and liabilities and other	(15,279)	(77,871)
Cash from operating activities before restructuring provision payments	511,788	660,771
Restructuring provision cash payments	(7,872)	(46,339)
	503,916	614,432
Financing activities		
Net increase (decrease) in deposits and certificates	9	(3,693)
Increase in obligations to securitization entities	851,185	1,158,187
Repayments of obligations to securitization entities and other	(1,251,159)	(1,979,586)
Repayment of lease obligations	(19,246)	(17,464)
Issue of common shares	42,156	32,914
Common shares purchased for cancellation	(115,667)	-
Common share dividends paid	(403,515)	(402,506)
	(896,237)	(1,212,148)
Investing activities		
Purchase of other investments	(126,876)	(85,548)
Proceeds from the sale of other investments	100,948	310,768
Increase in loans	(1,084,831)	(1,402,262)
Repayment of loans and other	1,334,473	2,181,770
Net additions to capital assets	(29,498)	(8,012)
Net cash used in additions to intangible assets	(44,836)	(47,533)
	149,380	949,183
(Decrease) increase in cash and cash equivalents	(242,941)	351,467
Cash and cash equivalents, beginning of period	1,292,446	771,585
Cash and cash equivalents, end of period	\$ 1,049,505	\$ 1,123,052
Cash	\$ 608,314	\$ 320,555
Cash equivalents	441,191	802,497
	\$ 1,049,505	\$ 1,123,052
Supplemental disclosure of cash flow information related to operating activities		
Interest and dividends received	\$ 188,970	\$ 192,359
Interest paid	\$ 152,613	\$ 167,864

(See accompanying notes to interim condensed consolidated financial statements)

Notes to the Interim Condensed Consolidated Financial Statements

September 30, 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 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

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Advisory fees	\$ 337,301	\$ 359,688	\$ 1,032,591	\$ 1,032,371
Product and program fees	225,497	248,309	698,053	708,253
	562,798	607,997	1,730,644	1,740,624
Redemption fees	854	1,836	3,355	8,288
Other financial planning revenues	43,164	45,219	125,088	137,229
Wealth management	606,816	655,052	1,859,087	1,886,141
Asset management	235,375	263,436	732,790	744,738
Dealer compensation expense	(72,916)	(85,913)	(236,528)	(249,323)
Net asset management	162,459	177,523	496,262	495,415
Net revenues from contracts with customers	\$ 769,275	\$ 832,575	\$ 2,355,349	\$ 2,381,556

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

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

Note 4. Other investments

	September 30, 2022		December 31, 2021	
	Cost	Fair value	Cost	Fair value
Fair value through other comprehensive income (FVTOCI)				
Corporate investments	\$ 236,271	\$ 601,319	\$ 226,220	\$ 1,291,434
Fair value through profit or loss (FVTPL)				
Equity securities	1,252	1,398	1,173	1,552
Proprietary investment funds	150,251	149,079	101,327	105,037
	151,503	150,477	102,500	106,589
	\$ 387,774	\$ 751,796	\$ 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 24% interest in Wealthsimple (2021 – 23%) valued at \$492 million at September 30, 2022. The investment in Wealthsimple was unchanged from the prior quarter and decreased \$661 million for the nine months ending September 30, 2022. The change in fair value is consistent with the decline in stock markets and public market peer valuations, and Wealthsimple focusing on its core business lines and revising revenue expectations.

In the second quarter of 2022, realized gains of \$27.8 million (\$24.0 million after-tax) related to other investments were transferred from Accumulated other comprehensive income to Other retained earnings. In the second quarter of 2021, IGM Financial Inc. disposed of a portion of its investment in Wealthsimple and a realized gain of \$239 million (\$207 million after-tax) was transferred from Accumulated other comprehensive income to Other retained earnings.

Note 5. Loans

	Contractual maturity			September 30 2022 Total	December 31 2021 Total
	1 year or less	1 – 5 years	Over 5 years		
Amortized cost					
Residential mortgages	\$ 1,006,410	\$ 4,079,146	\$ 4,598	\$ 5,090,154	\$ 5,297,054
Less: Allowance for expected credit losses				785	648
				5,089,369	5,296,406
Fair value through profit or loss					
				-	57,436
				\$ 5,089,369	\$ 5,353,842
The change in the allowance for expected credit losses is as follows:					
Balance, beginning of period				\$ 648	\$ 778
Write-offs, net of recoveries				(683)	(407)
Expected credit losses				820	277
Balance, end of period				\$ 785	\$ 648

Total credit impaired loans as at September 30, 2022 were \$2,791 (December 31, 2021 – \$2,822).

Total interest income on loans was \$100.6 million (2021 – \$119.8 million). Total interest expense on obligations to securitization entities, related to securitized loans, was \$73.3 million (2021 – \$85.9 million). Losses realized on the sale of residential mortgages totalled \$3.5 million (2021 – gains of \$3.4 million). Fair value adjustments related to mortgage banking operations totalled \$2.6 million (2021 – \$1.4 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 \$2.5 million at September 30, 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
September 30, 2022			
Carrying value			
NHA MBS and CMB Program	\$ 2,510,592	\$ 2,489,473	\$ 21,119
Bank sponsored ABCP	2,169,831	2,190,944	(21,113)
Total	\$ 4,680,423	\$ 4,680,417	\$ 6
Fair value	\$ 4,425,096	\$ 4,502,057	\$ (76,961)
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
September 30, 2022				
Balance, beginning of period	\$ 1,020,700	\$ 768,724	\$ 258,831	\$ 2,048,255
Dividends	(54,884)	(31,319)	-	(86,203)
Proportionate share of:				
Earnings	87,375	42,988	14,969 ⁽¹⁾	145,332
Other comprehensive income (loss) and other adjustments	(14,306)	(15,577)	-	(29,883)
Balance, end of period	\$ 1,038,885	\$ 764,816	\$ 273,800	\$ 2,077,501
September 30, 2021				
Balance, beginning of period	\$ 962,388	\$ 720,282	\$ 248,498	\$ 1,931,168
Additions	-	-	449	449
Dividends	(49,061)	(26,877)	-	(75,938)
Proportionate share of:				
Earnings	94,635	44,609	6,401 ⁽¹⁾	145,645
Other comprehensive income (loss) and other adjustments	(6,479)	4,593	-	(1,886)
Balance, end of period	\$ 1,001,483	\$ 742,607	\$ 255,348	\$ 1,999,438

(1) For the three and nine months ended September 30, 2022, the Company's proportionate share of Northleaf's earnings, net of Non-controlling interest, was \$3,661 and \$11,975, respectively (2021 - \$2,934 and \$5,121).

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

	September 30, 2022		September 30, 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	841,388	35,123
Purchased for cancellation	(2,890,000)	(20,310)	-	-
Balance, end of period	237,656,621	\$ 1,672,382	239,149,672	\$ 1,633,504

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 nine months ended September 30, 2022, there were 2,890,000 shares (2021 – nil) purchased at a cost of \$115.7 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 Third 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

	September 30, 2022	December 31, 2021
Common share options		
– Outstanding	11,899,472	11,712,164
– Exercisable	6,718,338	6,179,244

In the third quarter of 2022, the Company granted 116,520 options to employees (2021 – 32,695). In the nine months ended September 30, 2022, the Company granted 1,546,295 options to employees (2021 – 1,648,345). The weighted-average fair value of options granted during the nine months ended September 30, 2022, has been estimated at \$4.91 per option (2021 – \$2.73) using the Black-Scholes option pricing model. The weighted-average closing share price at the grant dates was \$44.02.

Other assumptions used in these valuation models include:

	<i>Nine months ended September 30</i>	
	2022	2021
Exercise price	\$44.59	\$35.29
Risk-free interest rate	2.04%	1.29%
Expected option life	7 years	7 years
Expected volatility	23.00%	23.00%
Expected dividend yield	5.12%	6.41%

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

Note 11. Accumulated other comprehensive income (loss)

	Employee benefits	Other investments	Investment in associates and other	Total
September 30, 2022				
Balance, beginning of period	\$ (95,666)	\$ 919,152	\$ 59,597	\$ 883,083
Other comprehensive income (loss)	77,488	(581,069)	(37,574)	(541,155)
Transfer out of FVTOCI	-	(24,032)	-	(24,032)
Balance, end of period	\$ (18,178)	\$ 314,051	\$ 22,023	\$ 317,896
September 30, 2021				
Balance, beginning of period	\$ (196,949)	\$ 293,448	\$ 39,865	\$ 136,364
Other comprehensive income (loss)	104,412	802,992	4,959	912,363
Transfer out of FVTOCI	-	(206,650)	-	(206,650)
Balance, end of period	\$ (92,537)	\$ 889,790	\$ 44,824	\$ 842,077

Amounts are recorded net of tax.

Note 12. Risk management

The risk management policies and procedures of the Company are discussed in the Financial Instruments Risk section of the Company's Management's Discussion and Analysis contained in the Third Quarter 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 \$601 million are predominantly comprised of early-stage financial technology companies, including Wealthsimple with a fair value of \$492 million. Fair value is determined by using observable transactions in the investments' securities, where available, discounted cash flows, and other valuation metrics, including revenue multiples, used in the valuation of comparable public companies. A 5% increase (decrease) to discounted cash flows or revenue multiples would result in an increase (decrease) in fair value of the Company's investment in Wealthsimple of approximately \$25 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				Total
		Level 1	Level 2	Level 3		
September 30, 2022						
Financial assets recorded at fair value						
Other investments						
– FVTOCI	\$ 601,319	\$ –	\$ –	\$ 601,319	\$ 601,319	\$ 601,319
– FVTPL	150,477	150,477	–	–	–	150,477
Derivative financial instruments	59,611	–	30,913	28,698	–	59,611
Financial assets recorded at amortized cost						
Loans						
– Amortized cost	5,089,369	–	389,429	4,425,096	–	4,814,525
Financial liabilities recorded at fair value						
Derivative financial instruments	56,493	–	49,783	6,710	–	56,493
Financial liabilities recorded at amortized cost						
Deposits and certificates	3,144,200	–	3,144,224	–	–	3,144,224
Obligations to securitization entities	4,680,417	–	–	4,502,057	–	4,502,057
Long-term debt	2,100,000	–	2,050,475	–	–	2,050,475

December 31, 2021

Financial assets recorded at fair value						
Other investments						
– FVTOCI	\$ 1,291,434	\$ –	\$ –	\$ 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 September 30
September 30, 2022							
Other investments							
– FVTOCI	\$ 1,291,434	\$ –	\$ (672,384)	\$ 29,706	\$ 47,437	\$ –	\$ 601,319
Derivative financial instruments, net	960	17,985	–	(239)	(3,282)	–	21,988
September 30, 2021							
Other investments							
– FVTOCI	\$ 593,273	\$ –	\$ 928,312	\$ 9,062	\$ –	\$ (275,428) ⁽²⁾	\$ 1,255,219
– FVTPL	279	20	–	–	31	–	268
Derivative financial instruments, net	(21,103)	8,817	–	1,877	(5,681)	–	(4,728)

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

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

Note 14. Earnings per common share

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Earnings				
Net earnings	\$ 217,037	\$ 271,581	\$ 645,533	\$ 711,697
Non-controlling interest	(915)	(733)	(2,994)	(1,280)
Net earnings available to common shareholders	\$ 216,122	\$ 270,848	\$ 642,539	\$ 710,417
Number of common shares (in thousands)				
Weighted average number of common shares outstanding	237,657	238,970	238,741	238,642
Add: Potential exercise of outstanding stock options ⁽¹⁾	151	1,605	623	914
Average number of common shares outstanding – diluted basis	237,808	240,575	239,364	239,556
Earnings per common share (in dollars)				
– Basic	\$ 0.91	\$ 1.13	\$ 2.69	\$ 2.98
– Diluted	\$ 0.91	\$ 1.13	\$ 2.68	\$ 2.97

(1) Excludes 1,634 thousand shares for the three months ended September 30, 2022 (2021 – 158 thousand) related to outstanding stock options that were anti-dilutive. Excludes 788 thousand shares for the nine months ended September 30, 2022 (2021 – 420 thousand) related to outstanding stock options that were anti-dilutive.

Note 15. 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

Three months ended September 30	Wealth Management	Asset Management	Strategic Investments and Other	Intersegment	Total
Revenues					
Wealth management	\$ 611,360	\$ -	\$ -	\$ (4,544)	\$ 606,816
Asset management	-	262,637	-	(27,262)	235,375
Dealer compensation	-	(77,460)	-	4,544	(72,916)
Net asset management	-	185,177	-	(22,718)	162,459
Net investment income and other	2,736	3,701	4,762	(73)	11,126
Proportionate share of associates' earnings	-	-	46,899	-	46,899
	614,096	188,878	51,661	(27,335)	827,300
Expenses					
Advisory and business development	277,940	16,398	-	-	294,338
Operations and support	118,495	85,987	1,156	(73)	205,565
Sub-advisory	43,993	1,159	-	(27,262)	17,890
	440,428	103,544	1,156	(27,335)	517,793
	173,668	85,334	50,505	-	309,507
Interest expense ⁽¹⁾	22,689	5,902	-	-	28,591
Earnings before income taxes	150,979	79,432	50,505	-	280,916
Income taxes	40,521	20,965	2,393	-	63,879
	110,458	58,467	48,112	-	217,037
Non-controlling interest	-	-	(915)	-	(915)
Net earnings available to common shareholders	\$ 110,458	\$ 58,467	\$ 47,197	\$ -	\$ 216,122

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

2021

Three months ended September 30	Wealth Management	Asset Management	Strategic Investments and Other	Intersegment	Total
Revenues					
Wealth management	\$ 659,982	\$ -	\$ -	\$ (4,930)	\$ 655,052
Asset management	-	293,109	-	(29,673)	263,436
Dealer compensation	-	(90,834)	-	4,921	(85,913)
Net asset management	-	202,275	-	(24,752)	177,523
Net investment income and other	(226)	2,143	646	(63)	2,500
Proportionate share of associates' earnings	-	-	55,903	-	55,903
	659,756	204,418	56,549	(29,745)	890,978
Expenses					
Advisory and business development	274,796	19,194	-	(9)	293,981
Operations and support	113,271	83,235	1,197	(62)	197,641
Sub-advisory	48,730	1,701	-	(29,674)	20,757
	436,797	104,130	1,197	(29,745)	512,379
	222,959	100,288	55,352	-	378,599
Interest expense ⁽¹⁾	22,695	5,941	-	-	28,636
Earnings before income taxes	200,264	94,347	55,352	-	349,963
Income taxes	53,486	23,359	1,537	-	78,382
	146,778	70,988	53,815	-	271,581
Non-controlling interest	-	-	(733)	-	(733)
Net earnings available to common shareholders	\$ 146,778	\$ 70,988	\$ 53,082	\$ -	\$ 270,848

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

2022

<i>Nine months ended September 30</i>	Wealth Management	Asset Management	Strategic Investments and Other	Intersegment	Total
Revenues					
Wealth management	\$ 1,873,228	\$ -	\$ -	\$ (14,141)	\$ 1,859,087
Asset management	-	817,169	-	(84,379)	732,790
Dealer compensation	-	(250,664)	-	14,136	(236,528)
Net asset management	-	566,505	-	(70,243)	496,262
Net investment income and other	1,443	99	7,244	(218)	8,568
Proportionate share of associates' earnings	-	-	145,332	-	145,332
	1,874,671	566,604	152,576	(84,602)	2,509,249
Expenses					
Advisory and business development	849,175	58,104	-	(5)	907,274
Operations and support	355,547	267,503	4,587	(218)	627,419
Sub-advisory	137,375	3,843	-	(84,379)	56,839
	1,342,097	329,450	4,587	(84,602)	1,591,532
	532,574	237,154	147,989	-	917,717
Interest expense ⁽¹⁾	67,484	17,626	-	-	85,110
Earnings before income taxes	465,090	219,528	147,989	-	832,607
Income taxes	124,478	57,584	4,840	172	187,074
	340,612	161,944	143,149	(172)	645,533
Non-controlling interest	-	-	(2,994)	-	(2,994)
Net earnings available to common shareholders	\$ 340,612	\$ 161,944	\$ 140,155	\$ (172)	\$ 642,539
Identifiable assets	\$ 10,088,767	\$ 1,252,729	\$ 3,451,256	\$ -	\$ 14,792,752
Goodwill	1,491,687	1,310,486	-	-	2,802,173
Total assets	\$ 11,580,454	\$ 2,563,215	\$ 3,451,256	\$ -	\$ 17,594,925

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

2021

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

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