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

Keith Potter
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, 2022 and 2021, 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, 2022 and 2021, 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, 2022. 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. Given that Wealthsimple is a private company, significant management judgment is required in the determination of the fair value of the investment. In determining fair value, a market approach using observable valuation metrics, including revenue multiples, and a discounted cash flow analysis were considered by management. Significant management judgment was required in determining the most appropriate valuation approaches and inputs used in each, including revenue multiples applied in the market approach.

Auditing the fair value of Wealthsimple 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 evaluated the appropriateness of fair value approaches and developed independent fair value estimates using an independent market approach by analyzing comparable public company revenue multiples and using revenue and financial forecasts provided to the Company by Wealthsimple.
- We evaluated relevant internal and external information, including industry information, and assessed the reasonability of unobservable inputs in instances where these inputs were more subjective.
- We compared the independent fair value estimate to management's fair value estimate.
- We independently performed a retrospective evaluation and analyzed Wealthsimple's financial performance using revenue and financial forecasts provided to the Company by Wealthsimple in order to determine the impact on the fair value determination.
- We evaluated other available information and considered whether this information corroborated or contradicted the Company's conclusions.

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.
- 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 9, 2023

Consolidated Statements of Earnings

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

For the years ended December 31	2022	2021
Revenues		
Wealth management *(Note 3)*	**$ 2,465,306**	$ 2,553,600
Asset management	**965,984**	1,011,456
Dealer compensation expense	**(308,871)**	(335,970)
Net asset management *(Note 3)*	**657,113**	675,486
Net investment income and other	**24,068**	22,542
Proportionate share of associates' earnings *(Note 9)*	**210,762**	196,367
	3,357,249	3,447,995
Expenses *(Note 4)*		
Advisory and business development	**1,205,472**	1,178,009
Operations and support	**839,941**	806,380
Sub-advisory	**75,125**	82,020
Interest *(Note 17)*	**113,768**	113,936
	2,234,306	2,180,345
Earnings before income taxes	**1,122,943**	1,267,650
Income taxes *(Note 16)*	**250,365**	286,763
Net earnings	**872,578**	980,887
Non-controlling interest *(Note 9)*	**(5,334)**	(1,938)
Net earnings available to common shareholders	**$ 867,244**	$ 978,949
Earnings per share *(in dollars) (Note 25)*		
– Basic	**$ 3.64**	$ 4.10
– Diluted	**$ 3.63**	$ 4.08

(See accompanying notes to consolidated financial statements)

Consolidated Statements of Comprehensive Income

(in thousands of Canadian dollars)

For the years ended December 31		**2022**		2021
Net earnings	**$**	**872,578**	$	980,887
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 $92,009 and $(130,242)*		**(585,515)**		834,519
Employee benefits				
Net actuarial gains (losses), *net of tax of $(36,950) and $(37,466)*		**100,049**		101,283
Investment in associates – employee benefits and other				
Other comprehensive income (loss), *net of tax of nil*		**12,689**		23,519
Items that may be reclassified subsequently to Net earnings				
Investment in associates and other				
Other comprehensive income (loss), *net of tax of $2,541 and $(4,284)*		**(23,508)**		(3,787)
		(496,285)		955,534
Total comprehensive income	**$**	**376,293**	$	1,936,421

(See accompanying notes to consolidated financial statements)

Consolidated Balance Sheets

(in thousands of Canadian dollars)

As at December 31		**2022**		2021
Assets				
Cash and cash equivalents	**$**	**1,072,892**	$	1,292,446
Other investments *(Note 5)*		**774,536**		1,398,023
Client funds on deposit		**4,347,354**		2,238,624
Accounts and other receivables		**368,806**		387,157
Income taxes recoverable		**15,544**		17,344
Loans *(Note 6)*		**5,021,483**		5,353,842
Derivative financial instruments *(Note 23)*		**63,665**		41,172
Other assets *(Note 8)*		**156,240**		54,298
Investment in associates *(Note 9)*		**2,186,961**		2,048,255
Capital assets *(Note 10)*		**326,288**		315,964
Capitalized sales commissions *(Note 11)*		**372,173**		325,424
Deferred income taxes *(Note 16)*		**1,419**		29,269
Intangible assets *(Note 12)*		**1,363,642**		1,356,704
Goodwill *(Note 12)*		**2,802,173**		2,802,066
	$	**18,873,176**	$	17,660,588
Liabilities				
Accounts payable and accrued liabilities	**$**	**507,573**	$	553,429
Income taxes payable		**7,122**		104,113
Derivative financial instruments *(Note 23)*		**51,581**		17,773
Deposits and certificates *(Note 13)*		**4,333,997**		2,220,274
Other liabilities *(Note 14)*		**355,577**		382,466
Obligations to securitization entities *(Note 7)*		**4,610,438**		5,057,917
Lease obligations		**192,793**		197,969
Deferred income taxes *(Note 16)*		**451,005**		525,476
Long-term debt *(Note 17)*		**2,100,000**		2,100,000
		12,610,086		11,159,417
Shareholders' Equity				
Share capital *(Note 18)*				
Common shares		**1,672,799**		1,658,680
Contributed surplus		**54,134**		51,069
Retained earnings		**4,106,714**		3,856,996
Accumulated other comprehensive income (loss) *(Note 21)*		**362,766**		883,083
Non-controlling interest *(Note 9)*		**66,677**		51,343
		6,263,090		6,501,171
	$	**18,873,176**	$	17,660,588

These financial statements were approved and authorized for issuance by the Board of Directors on February 9, 2023.

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
2022						
Balance, beginning of year	**$ 1,658,680**	**$ 51,069**	**$ 3,856,996**	**$ 883,083**	**$ 51,343**	**$ 6,501,171**
Net earnings	**–**	**–**	**872,578**	**–**	**–**	**872,578**
Other comprehensive income (loss), net of tax	**–**	**–**	**–**	**(496,285)**	**–**	**(496,285)**
Total comprehensive income	**–**	**–**	**872,578**	**(496,285)**	**–**	**376,293**
Common shares						
Issued under stock option plan	**34,429**	**–**	**–**	**–**	**–**	**34,429**
Purchased for cancellation	**(20,310)**	**–**	**–**	**–**	**–**	**(20,310)**
Stock options						
Current period expense	**–**	**4,941**	**–**	**–**	**–**	**4,941**
Exercised	**–**	**(1,876)**	**–**	**–**	**–**	**(1,876)**
Common share dividends	**–**	**–**	**(536,069)**	**–**	**–**	**(536,069)**
Non-controlling interest	**–**	**–**	**(5,334)**	**–**	**15,334**	**10,000**
Transfer out of fair value through other comprehensive income *(Note 5)*	**–**	**–**	**24,032**	**(24,032)**	**–**	**–**
Common share cancellation excess and other	**–**	**–**	**(105,489)**	**–**	**–**	**(105,489)**
Balance, end of year	**$ 1,672,799**	**$ 54,134**	**$ 4,106,714**	**$ 362,766**	**$ 66,677**	**$ 6,263,090**
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

(See accompanying notes to consolidated financial statements)

Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)

For the years ended December 31	**2022**	2021
Operating activities		
Earnings before income taxes	**$ 1,122,943**	$ 1,267,650
Income taxes paid	**(330,869)**	(153,501)
Adjustments to determine net cash from operating activities		
Capitalized sales commission amortization	**77,587**	56,683
Capitalized sales commissions paid	**(123,513)**	(151,022)
Amortization of capital, intangible and other assets	**103,994**	99,818
Proportionate share of associates' earnings, net of dividends received	**(106,262)**	(102,134)
Pension and other post-employment benefits	**5,855**	14,403
Changes in operating assets and liabilities and other	**(3,680)**	(38,342)
Cash from operating activities before restructuring provision payments	**746,055**	993,555
Restructuring provision cash payments	**(8,385)**	(49,965)
	737,670	943,590
Financing activities		
Net decrease in deposits and certificates	**(160)**	(3,861)
Increase in obligations to securitization entities	**1,171,025**	1,428,861
Repayments of obligations to securitization entities and other	**(1,626,896)**	(2,442,698)
Repayment of lease obligations	**(25,592)**	(23,023)
Issue of common shares	**42,553**	55,904
Common shares purchased for cancellation	**(115,667)**	–
Common share dividends paid	**(537,197)**	(537,027)
	(1,091,934)	(1,521,844)
Investing activities		
Purchase of other investments	**(150,508)**	(131,778)
Proceeds from the sale of other investments	**120,070**	348,206
Increase in loans	**(1,274,427)**	(1,776,070)
Repayment of loans and other	**1,584,354**	2,744,676
Net additions to capital assets	**(37,672)**	(10,643)
Net cash used in additions to intangible assets and other	**(107,107)**	(75,276)
	134,710	1,099,115
(Decrease) increase in cash and cash equivalents	**(219,554)**	520,861
Cash and cash equivalents, beginning of year	**1,292,446**	771,585
Cash and cash equivalents, end of year	**$ 1,072,892**	$ 1,292,446
Cash	**$ 346,257**	$ 326,225
Cash equivalents	**726,635**	966,221
	$ 1,072,892	$ 1,292,446
Supplemental disclosure of cash flow information related to operating activities		
Interest and dividends received	**$ 253,558**	$ 247,377
Interest paid	**$ 201,741**	$ 221,129

(See accompanying notes to consolidated financial statements)

Notes to Consolidated Financial Statements

December 31, 2022 and 2021 ***(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 and 24.

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.

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 fair value through profit or loss (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).

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 the pension asset. The Company's accrued benefit asset or 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 asset or liability at the beginning of the annual period to the net accrued benefit asset or liability. The discount rate used to value assets or 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 asset represents the surplus related to defined benefit pension plan and is included in Other assets. The accrued benefit liability represents the deficit of the SERPs and post-employment health care plan 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 changes proposed by the International Accounting Standards Board (IASB) and analyzes the effect that changes in the standards may have on the Company's operations.

IFRS 17 Insurance Contracts

The IASB issued IFRS 17 which requires insurance contracts to be measured using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty relating to insurance contracts and is effective for periods beginning on or after January 1, 2023. Adoption of this standard is expected to affect the accounting for the carrying value of the Company's investment in Great-West Lifeco Inc. (Lifeco) and the amount that the Company records for its proportionate share of associate's earnings. Additional information of the impact on Lifeco is available in its public disclosures.

Note 3. Revenues from contracts with customers

	2022	2021
Advisory fees	**$ 1,372,815**	$ 1,397,859
Product and program fees	**923,856**	961,122
	2,296,671	2,358,981
Redemption fees	**4,005**	10,029
Other financial planning revenues	**164,630**	184,590
Wealth management	**2,465,306**	2,553,600
Asset management	**965,984**	1,011,456
Dealer compensation expense	**(308,871)**	(335,970)
Net asset management	**657,113**	675,486
Net revenues from contracts with customers	**$ 3,122,419**	$ 3,229,086

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

	2022	2021
Commissions	$ 932,018	$ 918,793
Salaries and employee benefits	609,341	590,388
Occupancy	25,949	27,117
Amortization of capital, intangible and other assets	103,994	99,818
Other	374,111	348,273
	2,045,413	1,984,389
Sub-advisory	75,125	82,020
Interest	113,768	113,936
	$ 2,234,306	$ 2,180,345

Note 5. Other investments

	2022		2021	
	Cost	Fair value	Cost	Fair value
Fair value through other comprehensive income (FVTOCI)				
Corporate investments	$ 242,704	$ 602,612	$ 226,220	$ 1,291,434
Fair value through profit or loss (FVTPL)				
Equity securities	12,689	12,933	1,173	1,552
Proprietary investment funds	156,663	158,991	101,327	105,037
	169,352	171,924	102,500	106,589
	$ 412,056	$ 774,536	$ 328,720	$ 1,398,023

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 (Portage). Portage is an early-stage investment fund dedicated to backing innovating financial services companies. Portage is controlled by Power Corporation of Canada.

The total fair value of Corporate investments of $602.6 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 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 December 31, 2022 (2021 – $1,153 million). The investment in Wealthsimple decreased $661 million for the twelve months ending December 31, 2022. 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. This change in fair value is consistent with changes in stock market valuations and public market peer multiples, as well as company revenue and other financial forecasts.

In 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 2021, IGM Financial Inc. disposed of a portion of its investment in Wealthsimple and a realized gain of $241 million ($209 million after-tax) was transferred from Accumulated other comprehensive income to Other retained earnings.

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, 2022, there were $163.6 billion in investment fund assets under management (2021 – $184.5 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, 2022, the underlying investments related to these consolidated investment funds primarily consisted of cash and short-term investments of $14.6 million (2021 – $25.1 million), equity securities of $97.5 million (2021 – $50.9 million) and fixed income securities of $22.3 million (2021 – $13.0 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	2022 Total	2021 Total
Amortized cost					
Residential mortgages	**$ 963,837**	**$ 4,056,068**	**$ 2,393**	**$ 5,022,298**	$ 5,297,054
Less: Allowance for expected credit losses				**815**	648
				5,021,483	5,296,406
Fair value through profit or loss				**–**	57,436
				$ 5,021,483	$ 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				**(689)**	(407)
Expected credit losses				**856**	277
Balance, end of year				**$ 815**	$ 648

Total credit impaired loans as at December 31, 2022 were $2,159 (2021 – $2,822).

Total interest income on loans was $138.8 million (2021 – $154.7 million). Total interest expense on obligations to securitization entities, related to securitized loans, was $102.8 million (2021 – $111.4 million). Losses realized on the sale of residential mortgages totalled $3.5 million (2021 – gains of $3.9 million). Fair value adjustments related to mortgage banking operations totalled negative $3.1 million (2021 – positive $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 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 $0.9 million at December 31, 2022 (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
2022			
Carrying value			
NHA MBS and CMB Program	**$ 2,494,400**	**$ 2,459,828**	**$ 34,572**
Bank sponsored ABCP	**2,143,241**	**2,150,610**	**(7,369)**
Total	**$ 4,637,641**	**$ 4,610,438**	**$ 27,203**
Fair value	**$ 4,532,493**	**$ 4,544,609**	**$ (12,116)**
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 8. Other assets

	2022	2021
Accrued benefit asset *(Note 15)*	**$ 86,779**	$ –
Deferred and prepaid expenses	**56,412**	52,225
Other	**13,049**	2,073
	$ 156,240	$ 54,298

Total other assets of $33.1 million as at December 31, 2022 (2021 – $29.6 million) are expected to be realized within one year.

Note 9. Investment in associates

	Lifeco	ChinaAMC	Northleaf	Other	Total
2022					
Balance, beginning of year	**$ 1,020,700**	**$ 768,724**	**$ 258,831**	**$ –**	**$ 2,048,255**
Additions	**–**	**–**	**–**	**40,430**	**40,430**
Dividends	**(73,181)**	**(31,319)**	**–**	**–**	**(104,500)**
Proportionate share of:					
Earnings	**128,227**	**57,231**	**25,668** [(1)]	**(364)**	**210,762**
Other comprehensive income (loss) and other adjustments	**(521)**	**(7,465)**	**–**	**–**	**(7,986)**
Balance, end of year	**$ 1,075,225**	**$ 787,171**	**$ 284,499**	**$ 40,066**	**$ 2,186,961**
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

(1) The Company's proportionate share of Northleaf's earnings, net of Non-controlling interest, was $20,534 in 2022 (2021 – $7,752).

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

On January 12, 2023, the Company acquired an additional 13.9% interest in ChinaAMC from Power Corporation of Canada (Power) and sold a portion of its investment in Lifeco to Power (Note 29).

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, 2022, the Company held 37,337,133 (2021 – 37,337,133) shares of Lifeco, which represented an equity interest of 4.0% (2021 – 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.

The fair value of the Company's investment in Lifeco totalled $1,168.3 million at December 31, 2022 (2021 – $1,415.5 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, 2022 (2021 – 9,200,000).

Lifeco's financial information as at December 31, 2022 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, 2022, the Company held a 13.9% ownership interest in ChinaAMC (2021 – 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:

	2022		2021	
(millions)	**Canadian Dollars**	**Chinese Yuan**	Canadian Dollars	Chinese Yuan
As at December 31				
Total assets	**3,461**	**17,650**	3,241	16,295
Total liabilities	**1,032**	**5,261**	996	5,007
For the year ended December 31				
Revenue	**1,446**	**7,475**	1,560	8,015
Net earnings available to common shareholders	**418**	**2,163**	449	2,312
Total comprehensive income	**434**	**2,248**	444	2,287

Northleaf Capital Group Ltd. (Northleaf)

The Company, through an acquisition vehicle held by the Company's subsidiary, Mackenzie, holds a 49.9% voting interest and a 70% economic interest in Northleaf. The acquisition vehicle is owned 80% by Mackenzie and 20% by Lifeco. Northleaf is a global private equity, private credit and infrastructure fund manager headquartered in Toronto.

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:

(millions)	**2022**	2021
As at December 31		
Total assets	**$ 160.3**	$ 119.6
Total liabilities	**113.2**	106.0
For the year ended December 31		
Revenue	**$ 137.0**	$ 99.8
Net earnings available to common shareholders	**40.7**	17.9
Total comprehensive income	**40.7**	17.9

Note 10. Capital assets

		Furniture and equipment		Building and components		Right-of-use assets		Total
2022								
Cost	**$**	**353,374**	**$**	**69,592**	**$**	**280,946**	**$**	**703,912**
Less: accumulated amortization		**(252,558)**		**(19,915)**		**(105,151)**		**(377,624)**
	$	**100,816**	**$**	**49,677**	**$**	**175,795**	**$**	**326,288**
Changes in capital assets:								
Balance, beginning of year	**$**	**81,423**	**$**	**51,105**	**$**	**183,436**	**$**	**315,964**
Additions		**37,325**		**243**		**20,416**		**57,984**
Disposals		**(1,163)**		**–**		**–**		**(1,163)**
Amortization		**(16,769)**		**(1,671)**		**(28,057)**		**(46,497)**
Balance, end of year	**$**	**100,816**	**$**	**49,677**	**$**	**175,795**	**$**	**326,288**
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

Note 11. Capitalized sales commissions

		2022		2021
Cost	**$**	**585,363**	$	461,149
Less: accumulated amortization		**(213,190)**		(135,725)
	$	**372,173**	$	325,424
Changes in capitalized sales commissions				
Balance, beginning of year	**$**	**325,424**	$	231,085
Changes due to:				
Sales of investment funds		**124,336**		151,022
Amortization		**(77,587)**		(56,683)
		46,749		94,339
Balance, end of year	**$**	**372,173**	$	325,424

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
2022						
Cost	**$ 365,318**	**$ 289,286**	**$ 740,559**	**$ 285,177**	**$ 1,680,340**	**$ 2,802,173**
Less: accumulated amortization	**(203,479)**	**(113,219)**	**–**	**–**	**(316,698)**	**–**
	$ 161,839	**$ 176,067**	**$ 740,559**	**$ 285,177**	**$ 1,363,642**	**$ 2,802,173**
Changes in goodwill and intangible assets:						
Balance, beginning of year	**$ 160,336**	**$ 170,632**	**$ 740,559**	**$ 285,177**	**$ 1,356,704**	**$ 2,802,066**
Additions	**40,264**	**20,082**	**–**	**–**	**60,346**	**107**
Disposals	**(2)**	**(223)**	**–**	**–**	**(225)**	**–**
Amortization	**(38,759)**	**(14,424)**	**–**	**–**	**(53,183)**	**–**
Balance, end of year	**$ 161,839**	**$ 176,067**	**$ 740,559**	**$ 285,177**	**$ 1,363,642**	**$ 2,802,173**
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	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

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:

	2022		2021	
	Goodwill	**Indefinite life intangible assets**	Goodwill	Indefinite life intangible assets
Wealth Management	**$ 1,491,687**	**$ 23,055**	$ 1,491,687	$ 23,055
Asset Management	**1,310,486**	**1,002,681**	1,310,379	1,002,681
Total	**$ 2,802,173**	**$ 1,025,736**	$ 2,802,066	$ 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.

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 $4,334.0 million (2021 – $2,220.3 million) related to deposits and certificates.

		Term to maturity				
	Demand	**1 year or less**	**1–5 years**	**Over 5 years**	**2022 Total**	2021 Total
Deposits	**$ 4,332,493**	**$ –**	**$ –**	**$ –**	**$ 4,332,493**	$ 2,218,611
Certificates	**–**	**350**	**487**	**667**	**1,504**	1,663
	$ 4,332,493	**$ 350**	**$ 487**	**$ 667**	**$ 4,333,997**	$ 2,220,274

Note 14. Other liabilities

	2022	2021
Dividends payable	**$ 133,688**	$ 134,816
Interest payable	**36,659**	26,775
Accrued benefit liabilities *(Note 15)*	**81,367**	125,732
Provisions	**18,356**	26,674
Other	**85,507**	68,469
	$ 355,577	$ 382,466

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 2022 consisted of additional estimates of $3.2 million (2021 – $7.3 million), provision reversals of $1.5 million (2021 – $4.0 million) and payments of $10.0 million (2021 – $54.1 million).

Total other liabilities of $235.6 million as at December 31, 2022 (2021 – $244.9 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.

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, 2021, was completed. 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 surplus of $14.4 million compared to a solvency deficit of $61.3 million in the previous actuarial valuation, which was based on a measurement date of December 31, 2021. The improvement in the funded status resulted largely from interest rate increases, as well as the return on plan assets. The registered pension plan had a going concern surplus of $95.0 million compared to $79.2 million in the previous valuation. The next actuarial valuation will be based on a measurement date of December 31, 2022. During the year, the Company has made contributions of $11.4 million (2021 – $13.6 million). The Company expects annual contributions of approximately $2.0 million in 2023. 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.

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.

Plan assets, benefit obligations and funded status:

	2022			2021		
	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	**$ 566,727**	**$ –**	**$ –**	$ 516,945	$ –	$ –
Employee contributions	**1,810**	**–**	**–**	1,964	–	–
Employer contributions	**11,438**	**–**	**–**	13,598	–	–
Benefits paid	**(30,590)**	**–**	**–**	(27,748)	–	–
Interest income	**18,613**	**–**	**–**	13,774	–	–
Additions	**998**	**–**	**–**	–	–	–
Remeasurements:						
Return on plan assets	**(58,266)**	**–**	**–**	48,194	–	–
Balance, end of year	**510,730**	**–**	**–**	566,727	–	–
Accrued benefit obligation						
Balance, beginning of year	**588,351**	**71,557**	**32,551**	650,064	74,825	42,135
Benefits paid	**(30,590)**	**(5,808)**	**(3,722)**	(27,748)	(3,853)	(2,671)
Current service cost	**21,027**	**1,971**	**344**	25,707	2,107	679
Employee contributions	**1,810**	**–**	**–**	1,964	–	–
Interest expense	**19,094**	**2,069**	**931**	17,177	1,668	960
Additions	**998**	**–**	**–**	–	–	–
Remeasurements:						
Actuarial losses (gains)						
Experience adjustments	**(2,506)**	**(1,048)**	**708**	(3,348)	1,861	(6,402)
Financial assumptions	**(174,233)**	**(12,657)**	**(5,529)**	(75,465)	(5,051)	(2,150)
Balance, end of year	**423,951**	**56,084**	**25,283**	588,351	71,557	32,551
Accrued benefit asset (liability)	**$ 86,779**	**$ (56,084)**	**$ (25,283)**	$ (21,624)	$ (71,557)	$ (32,551)

Significant actuarial assumptions used to calculate the defined benefit obligation:

	2022			2021		
	Defined benefit pension plan	**SERPs**	**Other post-employment benefits**	Defined benefit pension plan	SERPs	Other post-employment benefits
Discount rate	**5.25%**	**5.25%-5.30%**	**5.25%**	3.30%	2.65%-3.10%	3.00%
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**	**5.40%**	N/A	N/A	5.50%
Mortality rates at age 65 for current pensioners	**23.1 years**	**23.1 years**	**23.1 years**	23.1 years	23.1 years	23.1 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 15.7 years (2021 – 20.7 years).

Benefit expense:

	2022			2021		
	Defined benefit pension plan	**SERPs**	**Other post-employment benefits**	Defined benefit pension plan	SERPs	Other post-employment benefits
Current service cost	**$ 21,027**	**$ 1,971**	**$ 344**	$ 25,707	$ 2,107	$ 679
Net interest cost	**481**	**2,069**	**931**	3,403	1,668	960
	$ 21,508	**$ 4,040**	**$ 1,275**	$ 29,110	$ 3,775	$ 1,639

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:

	2022		2021	
	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	**$ (16,828)**	**$ (1,866)**	$ (28,634)	$ (2,391)
Decrease	**17,877**	**1,886**	30,242	2,389
Rate of compensation (+ / - 0.25%)				
Increase	**4,755**	**585**	7,805	838
Decrease	**(4,718)**	**(581)**	(7,674)	(822)
Mortality				
Increase 1 year	**6,334**	**477**	11,214	721
SERPs				
Discount rate (+ / - 0.25%)				
Increase	**(1,138)**	**44**	(1,683)	82
Decrease	**1,181**	**(47)**	1,755	(87)
Rate of compensation (+ / - 0.25%)				
Increase	**46**	**14**	30	12
Decrease	**(41)**	**(12)**	(26)	(13)
Mortality				
Increase 1 year	**923**	**51**	1,415	48
Other post-employment benefits				
Discount rate (+ / - 0.25%)				
Increase	**(501)**	**27**	(763)	42
Decrease	**521**	**(28)**	797	(44)
Health care cost trend rates (+ / - 1.00%)				
Increase	**498**	**27**	659	20
Decrease	**(441)**	**(23)**	(574)	(17)
Mortality				
Increase 1 year	**571**	**33**	807	30

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:

	2022	2021
Equity securities	**58.4 %**	61.5 %
Fixed income securities	**28.7**	30.2
Alternative strategies	**11.1**	7.3
Cash and cash equivalents	**1.8**	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 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 $8.7 million (2021 – $6.9 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 $9.5 million (2021 – $8.6 million).

Note 16. Income taxes

Income tax expense:

	2022	2021
Income taxes recognized in net earnings		
Current taxes		
Tax on current year's earnings	**$ 233,550**	$ 230,651
Adjustments in respect of prior years	**1,537**	(676)
	235,087	229,975
Deferred taxes	**15,278**	56,788
	$ 250,365	$ 286,763

Effective income tax rate:

	2022	2021
Income taxes at Canadian federal and provincial statutory rates	**26.62 %**	26.63 %
Effect of:		
Proportionate share of associates' earnings *(Note 9)*	**(4.50)**	(3.65)
Other items	**0.18**	(0.36)
Effective income tax rate	**22.30 %**	22.62 %

Deferred income taxes

Composition and changes in net deferred taxes are as follows:

	Accrued benefit liabilities	Loss carry-forwards	Capitalized sales commissions	Intangible assets	Other investments	Other	Total
2022							
Balance, beginning of year	**$ 33,886**	**$ 6,459**	**$ (86,616)**	**$ (289,835)**	**$ (142,751)**	**$ (17,350)**	**$ (496,207)**
Recognized in statements of:							
Earnings	**1,569**	**(46)**	**(12,260)**	**(654)**	**619**	**(4,506)**	**(15,278)**
Comprehensive income	**(36,950)**	**–**	**–**	**–**	**95,552**	**2,541**	**61,143**
Equity	**–**	**–**	**–**	**–**	**485**	**–**	**485**
Foreign exchange rate charges and other	**–**	**274**	**–**	**–**	**–**	**(3)**	**271**
Balance, end of year	**$ (1,495)**	**$ 6,687**	**$ (98,876)**	**$ (290,489)**	**$ (46,095)**	**$ (19,318)**	**$ (449,586)**
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)

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

	2022	2021
Deferred income tax assets	**$ 1,419**	$ 29,269
Deferred income tax liabilities	**(451,005)**	(525,476)
	$ (449,586)	$ (496,207)

Note 17. Long-term debt

Maturity	Rate	**2022**	2021
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 (2021 – $106.6 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

	2022		2021	
	Shares	Stated value	Shares	Stated value
Common shares:				
Balance, beginning of year	**239,679,043**	**$ 1,658,680**	238,308,284	$ 1,598,381
Issued under Stock Option Plan *(Note 20)*	**879,019**	**34,429**	1,370,759	60,299
Purchased for cancellation	**(2,890,000)**	**(20,310)**	–	–
Balance, end of year	**237,668,062**	**$ 1,672,799**	239,679,043	$ 1,658,680

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 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 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, 2022, unchanged from December 31, 2021. 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.

The Company purchased 2,890,000 common shares during the year ended December 31, 2022, at a cost of $115.7 million under its normal course issuer bid (Note 18). Other activities in 2022 included the declaration of common share dividends of $536.1 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, 2022, 18,151,379 (2021 – 19,030,398) common shares were reserved for issuance under the Plan.

During 2022, the Company granted 1,546,295 options to employees (2021 – 1,648,345). The weighted-average fair value of options granted during the year ended December 31, 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 (2021 – $35.19). Other assumptions used in these valuation models include:

	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. The average share price in 2022 was $39.50 (2021 – $43.18).

The Company recorded compensation expense related to its stock option program of $4.9 million (2021 – $3.8 million).

	2022		2021	
	Number of options	**Weighted-average exercise price**	Number of options	Weighted-average exercise price
Balance, beginning of year	**11,712,164**	**$ 39.36**	11,930,224	$ 40.37
Granted	**1,546,295**	**44.59**	1,648,345	35.29
Exercised	**(879,019)**	**37.03**	(1,370,759)	40.78
Forfeited	**(654,098)**	**43.77**	(495,646)	46.08
Balance, end of year	**11,725,342**	**$ 39.98**	11,712,164	$ 39.36
Exercisable, end of year	**6,596,299**	**$ 41.01**	6,179,244	$ 41.83

Options outstanding at December 31, 2022	**Expiry date**	**Exercise price $**	**Options outstanding**	**Options exercisable**
	2023	**44.73 – 47.26**	**792,305**	**792,305**
	2024	**53.81**	**655,609**	**655,609**
	2025	**43.28 – 43.97**	**811,009**	**811,009**
	2026	**34.88 – 38.17**	**996,944**	**789,852**
	2027	**39.71 – 41.74**	**1,008,498**	**887,028**
	2028	**37.58 – 40.10**	**1,206,782**	**953,538**
	2029	**34.29 – 36.91**	**1,213,371**	**654,968**
	2030	**31.85 – 38.65**	**2,017,199**	**796,028**
	2031	**35.01 – 46.02**	**1,516,710**	**255,962**
	2032	**36.57 – 45.56**	**1,506,915**	**–**
			11,725,342	**6,596,299**

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 $21.1 million in 2022 (2021 – $31.5 million) and a liability of $40.1 million at December 31, 2022 (2021 – $45.8 million).

Share purchase plans

Under the Company's share purchase plans, eligible employees 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 two 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 $4.7 million (2021 – $4.4 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, 2022, the fair value of the DSUs outstanding was $29.8 million (2021 – $31.8 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)

	Employee benefits	Other investments	Investment in associates and other	Total
2022				
Balance, beginning of year	**$ (95,666)**	**$ 919,152**	**$ 59,597**	**$ 883,083**
Other comprehensive income (loss)	**100,049**	**(585,515)**	**(10,819)**	**(496,285)**
Transfer out of FVTOCI	**–**	**(24,032)**	**–**	**(24,032)**
Balance, end of year	**$ 4,383**	**$ 309,605**	**$ 48,778**	**$ 362,766**
2021				
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

Amounts are recorded net of tax.

In 2022, the Company recorded after-tax losses in Other Comprehensive Income of $585.5 million due to fair value changes in the Company's investments, primarily related to a $561.8 million fair value adjustment on Wealthsimple.

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 advisor 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, 2022 *($ millions)*	**Demand**	**Less than 1 year**	**1-5 years**	**Over 5 years**	**Total**
Derivative financial instruments	$ –	$ 21.3	$ 30.3	$ –	$ 51.6
Deposits and Certificates[1]	4,332.5	0.3	0.5	0.7	4,334.0
Obligations to securitization entities	–	947.8	3,651.3	11.3	4,610.4
Leases[2]	–	31.5	95.5	118.8	245.8
Long-term debt	–	–	525.0	1,575.0	2,100.0
Pension funding[3]	–	2.0	–	–	2.0
Total contractual maturities	$ 4,332.5	$ 1,002.9	$ 4,302.6	$ 1,705.8	$ 11,343.8

(1) Deposits and certificates due on demand are primarily offset by client funds held on deposit.

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

(3) Pension funding requirements beyond 2023 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, 2022, unchanged from December 31, 2021. The lines of credit at December 31, 2022 consisted of committed lines of $650 million and uncommitted lines of $175 million, unchanged from December 31, 2021. Any advances made by a bank under the uncommitted lines of credit are at the bank's sole discretion. As at December 31, 2022 and December 31, 2021, 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, 2021.

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, 2022, cash and cash equivalents of $1,072.9 million (2021 – $1,292.4 million) consisted of cash balances of $346.3 million (2021 – $326.2 million) on deposit with Canadian chartered banks and cash equivalents of $726.6 million (2021 – $966.2 million). Cash equivalents are comprised of Government of Canada treasury bills totalling $81.6 million (2021 – $358.7 million), provincial government treasury bills and promissory notes of $306.8 million (2021 – $350.6 million), bankers' acceptances of $293.2 million (2021 – $198.3 million) and other corporate commercial paper of $45.0 million (2021 – $58.6 million).

Client funds on deposit of $4,347.4 million (2021 – $2,238.6 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, 2022, residential mortgages, recorded on the Company's balance sheet, of $5.0 billion (2021 – $5.4 billion) consisted of $4.6 billion sold to securitization programs (2021 – $5.0 billion), $371.9 million held pending sale or securitization (2021 – $315.8 million) and $12.7 million related to the Company's intermediary operations (2021 – $13.7 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 advisors 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 $2.5 billion (2021 – $2.6 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 $2.1 billion (2021 – $2.4 billion) is limited to amounts held in cash reserve accounts and future net interest income, the fair values of which were $55.2 million (2021 – $67.6 million) and $21.3 million (2021 – $34.1 million), respectively, at December 31, 2022. 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, 2022, residential mortgages recorded on balance sheet were 53.3% insured (2021 – 53.1%). As at December 31, 2022, impaired mortgages on these portfolios were $2.2 million, compared to $2.8 million at December 31, 2021. Uninsured non-performing mortgages over 90 days on these portfolios were $1.7 million at December 31, 2022, compared to $1.5 million at December 31, 2021.

The Company also retains certain elements of credit risk on mortgage loans sold to the IG Mackenzie Mortgage and Short-Term Income 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.

The Company's allowance for expected credit losses was $0.8 million at December 31, 2022, compared to $0.6 million at December 31, 2021, 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 increasing interest rates, 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, 2021.

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 $71.2 million (2021 – $39.5 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 $10.5 million at December 31, 2022 (2021 – $0.7 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, 2022. Management of credit risk related to derivatives has not changed materially since December 31, 2021.

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 $20.5 million (2021 – $1.0 million) and an outstanding notional amount of $0.2 billion at December 31, 2022 (2021 – $0.3 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 negative $19.6 million (2021 – $3.5 million), on an outstanding notional amount of $1.3 billion at December 31, 2022 (2021 – $1.3 billion). The net fair value of these swaps of $0.9 million at December 31, 2022 (2021 – $4.5 million) is recorded on the balance sheet and has an outstanding notional amount of $1.5 billion (2021 – $1.6 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 $4.7 million (2021 – $0.6 million) on an outstanding notional amount of $191.6 million at December 31, 2022 (2021 – $128.6 million).

As at December 31, 2022, the impact to annual net earnings of a 100 basis point increase in interest rates would have been a decrease of approximately $1.7 million (2021 – decrease of $3.0 million). The Company's exposure to and management of interest rate risk have not changed materially since December 31, 2021.

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, and on our investments in associates (Note 9), which are accounted for using the equity method. The fair value of the equity investments was $0.8 billion at December 31, 2022 (2021 – $1.4 billion) and the carrying value of the Investment in associates was $2.2 billion at December 31, 2022 (2021 – $2.0 billion).

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 are recognized in Other comprehensive income. As at December 31, 2022, a 5% appreciation (depreciation) in Canadian currency relative to foreign currencies would decrease (increase) the aggregate carrying value of foreign investments by approximately $37.2 million ($41.1 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, 2022, 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 $2.7 million ($3.0 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.

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

	Notional amount					Fair value	
	1 year or less	1 – 5 years	Over 5 years	Total	Credit risk	Asset	Liability
2022							
Swaps							
Hedge accounting	**$ –**	**$ 71,634**	**$ 52,290**	**$ 123,924**	**$ 899**	**$ 899**	**$ 26**
No hedge accounting	**555,248**	**973,750**	**34,636**	**1,563,634**	**55,789**	**55,789**	**49,604**
Forward contracts							
Hedge accounting	**18,150**	**45,319**	**–**	**63,469**	**6,977**	**6,977**	**1,951**
	$ 573,398	**$ 1,090,703**	**$ 86,926**	**$ 1,751,027**	**$ 63,665**	**$ 63,665**	**$ 51,581**
2021							
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

The credit risk related to the Company's derivative financial instruments after giving effect to any netting agreements was $8.9 million (2021 – $5.8 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 $10.5 million (2021 – $0.7 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 $603 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, 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 $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	Level 1	Level 2	Level 3	Fair value Total
2022					
Financial assets recorded at fair value					
Other investments					
– FVTOCI	**$ 602,612**	**$ –**	**$ –**	**$ 602,612**	**$ 602,612**
– FVTPL	**171,924**	**160,495**	**–**	**11,429**	**171,924**
Derivative financial instruments	**63,665**	**–**	**37,900**	**25,765**	**63,665**
Financial assets recorded at amortized cost					
Loans					
– Amortized cost	**5,021,483**	**–**	**372,983**	**4,532,493**	**4,905,476**
Financial liabilities recorded at fair value					
Derivative financial instruments	**51,581**	**–**	**46,332**	**5,249**	**51,581**
Financial liabilities recorded at amortized cost					
Deposits and certificates	**4,333,997**	**–**	**4,334,010**	**–**	**4,334,010**
Obligations to securitization entities	**4,610,438**	**–**	**–**	**4,544,609**	**4,544,609**
Long-term debt	**2,100,000**	**–**	**2,013,917**	**–**	**2,013,917**
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. There were no transfers in or out of Level 3 in 2022 and 2021.

	Balance January 1	Gains (losses) included in Net earnings[(1)]	Gains (losses) included in Other comprehensive income	Purchases and issuances	Settlements	Balance December 31
2022						
Other investments						
– FVTOCI	**$ 1,291,434**	**$ –**	**$ (677,525)**	**$ 36,140**	**$ 47,437**	**$ 602,612**
– FVTPL	**–**	**–**	**–**	**11,429**	**–**	**11,429**
Derivative financial instruments, net	**960**	**28,010**	**–**	**(5,605)**	**2,849**	**20,516**
2021						
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

(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

		2022		2021
Earnings				
Net earnings	**$**	**872,578**	$	980,887
Non-controlling interest		**(5,334)**		(1,938)
Net earnings available to common shareholders	**$**	**867,244**	$	978,949
Number of common shares *(in thousands)*				
Weighted average number of common shares outstanding		**238,470**		238,841
Add: Potential exercise of outstanding stock options[1]		**526**		1,178
Average number of common shares outstanding – diluted basis		**238,996**		240,019
Earnings per common share *(in dollars)*				
– Basic	**$**	**3.64**	$	4.10
– Diluted	**$**	**3.63**	$	4.08

(1) Excludes 837 thousand shares in 2022 related to outstanding stock options that were anti-dilutive (2021 – 272 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. In August 2022, a second proposed class action concerning the same subject matter was filed against Mackenzie Financial Corporation. 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 2022 and 2021, 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 $48.7 million in distribution fees (2021 – $52.7 million). The Company received $61.4 million (2021 – $63.3 million) and paid $19.5 million (2021 – $22.6 million) to Canada Life and related subsidiary companies for the provision of sub-advisory services for certain investment funds. The Company paid $0.6 million (2021 – $15.5 million) to Canada Life related to the distribution of certain investment funds of the Company.
- During 2022, no residential mortgage loans were sold by the Company to Canada Life (2021 – $11.9 million).

On January 12, 2023, the Company acquired an additional interest in ChinaAMC from Power and sold a portion of its investment in Lifeco to Power (Note 29).

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:

	2022	2021
Compensation and employee benefits	**$ 4,084**	$ 3,981
Post-employment benefits	**4,042**	3,793
Share-based payments	**1,756**	1,066
	$ 9,882	$ 8,840

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. 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

	Wealth Management	Asset Management	Strategic Investments and Other	Intersegment	Total
Revenues					
Wealth management	$ 2,483,960	$ –	$ –	$ (18,654)	$ 2,465,306
Asset management	–	1,077,678	–	(111,694)	965,984
Dealer compensation	–	(327,521)	–	18,650	(308,871)
Net asset management	–	750,157	–	(93,044)	657,113
Net investment income and other	4,094	5,690	14,575	(291)	24,068
Proportionate share of associates' earnings	–	–	210,762	–	210,762
	2,488,054	755,847	225,337	(111,989)	3,357,249
Expenses					
Advisory and business development	1,126,124	79,353	–	(5)	1,205,472
Operations and support	476,912	358,403	4,917	(291)	839,941
Sub-advisory	181,872	4,946	–	(111,693)	75,125
	1,784,908	442,702	4,917	(111,989)	2,120,538
	703,146	313,145	220,420	–	1,236,711
Interest expense[(1)]	90,247	23,521	–	–	113,768
Earnings before income taxes	612,899	289,624	220,420	–	1,122,943
Income taxes	164,162	76,435	9,596	172	250,365
	448,737	213,189	210,824	(172)	872,578
Non-controlling interest	(200)	–	(5,134)	–	(5,334)
Net earnings available to common shareholders	$ 448,537	$ 213,189	$ 205,690	$ (172)	$ 867,244
Identifiable assets	$ 11,255,665	$ 1,243,428	$ 3,571,910	$ –	$ 16,071,003
Goodwill	1,491,687	1,310,486	–	–	2,802,173
Total assets	$ 12,747,352	$ 2,553,914	$ 3,571,910	$ –	$ 18,873,176

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

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.

Note 29. Subsequent event

On January 12, 2023, the Company closed the previously announced transaction to acquire Power Corporation of Canada's (Power) 13.9% interest in ChinaAMC for cash consideration of $1.15 billion, increasing the Company's equity interest in ChinaAMC from 13.9% to 27.8%. To partially fund the transaction, IGM Financial sold 15,200,662 common shares of Lifeco to Power for cash consideration of $553 million which reduced the Company's equity interest in Lifeco from 4% to 2.4%. The remaining $597 million of consideration was funded from the Company's existing financial resources including $22 million in dividends received after March 31, 2022 with respect to the Lifeco shares that were sold. The Company will continue to equity account for its 27.8% interest in ChinaAMC and 2.4% interest in Lifeco.