POWER CORPORATION OF CANADA

FIRST QUARTER REPORT

For the period ended March 31, 2023

Power Corporation of Canada

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This document contains management's discussion and analysis of the financial condition, financial performance and cash flows of Power Corporation of Canada (the Corporation) for the three months ended March 31, 2023 and the unaudited interim condensed consolidated financial statements of the Corporation as at and for the three months ended March 31, 2023. This document has been filed with the securities regulatory authorities in each of the provinces and territories of Canada and is available under the Corporation's profile on SEDAR at www.sedar.com.

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Management's Discussion and Analysis

MAY 15, 2023

ALL TABULAR AMOUNTS ARE IN MILLIONS OF CANADIAN DOLLARS, UNLESS OTHERWISE NOTED.

The following presents Management's Discussion and Analysis (MD&A) of the financial condition and financial performance of Power Corporation of Canada (Power Corporation or the Corporation) (TSX: POW; POW.PR.E), a public corporation, for the three-month period ended March 31, 2023. The 2022 comparative periods are unaudited and are restated for the adoption of IFRS 17, *Insurance Contracts* and IFRS 9, *Financial Instruments*. This MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements of Power Corporation and notes thereto for the three-month period ended March 31, 2023 (the Interim Consolidated Financial Statements), the MD&A for the year ended December 31, 2022 (the 2022 Annual MD&A), and the audited consolidated financial statements and notes thereto for the year ended December 31, 2022 (the 2022 Consolidated Financial Statements). Additional information relating to Power Corporation, including its Annual Information Form, may be found on the Corporation's website at www.powercorporation.com and on SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS › Certain statements in this MD&A, other than statements of historical fact, are forward-looking statements based on certain assumptions and reflect the Corporation's current expectations, or with respect to disclosure regarding the Corporation's public subsidiaries, reflect such subsidiaries' current expectations as disclosed in their respective MD&A. Forward-looking statements are provided for the purposes of assisting the reader in understanding the Corporation's financial performance, financial position and cash flows as at and for the periods ended on certain dates and to present information about management's current expectations and plans relating to the future and the reader is cautioned that such statements may not be appropriate for other purposes. These statements may include, without limitation, statements regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook of the Corporation and its subsidiaries including the fintech strategy, as well as the outlook for North American and international economies for the current fiscal year and subsequent periods, the Corporation's NCIB (as defined herein) commenced in 2023 and the return of net cash proceeds from the sale of its interest in ChinaAMC (as defined herein) to IGM (as defined herein), statements concerning deferred taxes, statements concerning the expected impacts of IFRS 17, management of standalone businesses to realize value over time, fundraising activities by investment platforms, capital commitments by the Power group and third parties, the intended acquisition opportunity of Portage Fintech Acquisition Corporation, the completion of the Bellus (as defined herein) transaction, the objective to maintain a minimum level of cash and cash equivalents relative to fixed charges, and the Corporation's subsidiaries' disclosed expectations, including in respect of the proposed acquisition of IPC (as defined herein) by Canada Life (as defined herein) from IGM (including the impacts and timing thereof), the completion of the Webhelp (as defined herein) transaction, as well as expectations as a result of the acquisition of the Prudential (as defined herein) full-service retirement business (including the impacts and timing thereof), and the purchase by IGM of an interest in Rockefeller (as defined herein). Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects", "anticipates", "plans", "believes", "estimates", "seeks", "intends", "targets", "projects", "forecasts" or negative versions thereof and other similar expressions, or future or conditional verbs such as "may", "will", "should", "would" and "could".

By its nature, this information is subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved. A variety of factors, many of which are beyond the Corporation's and its subsidiaries' control, affect the operations, performance and results of the Corporation and its subsidiaries and their businesses, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. These factors include, but are not limited to: the impact or unanticipated impact of general economic, political and market factors in North America and internationally, fluctuations in interest rates, inflation and foreign exchange rates, monetary policies, business investment and the health of local and global equity and capital markets, management of market liquidity and funding risks, risks related to investments in private companies and illiquid securities, risks associated with financial instruments, changes in accounting policies and methods used to report financial condition (including uncertainties associated with significant judgments, estimates and assumptions), the effect of applying future accounting changes, business competition, operational and reputational risks, technological changes, cybersecurity risks, changes in government regulation and legislation, changes in tax laws, unexpected judicial or regulatory proceedings, catastrophic events, man-made disasters, terrorist attacks, wars and other conflicts (such as the invasion of Ukraine), or an outbreak of a public health pandemic or other public health crises (such as COVID-19), the Corporation's and its subsidiaries' ability to complete strategic transactions, integrate acquisitions and implement other growth strategies, the Corporation's and its subsidiaries' success in anticipating and managing the foregoing factors, and with respect to forward-looking statements of the Corporation's subsidiaries disclosed in this MD&A, the factors identified by such subsidiaries in their respective MD&A.

The reader is cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements. Information contained in forward-looking statements is based upon certain material assumptions that were applied in drawing a conclusion or making a forecast or projection, including management's perceptions of historical trends, current conditions and expected future developments, that any required approvals (including regulatory approvals) for strategic transactions, acquisitions, divestitures or other growth or optimization strategies will be received when and on such terms as are expected, as well as other considerations that are believed to be appropriate in the circumstances, including the availability of cash to complete purchases under the NCIB, that the list of risks and uncertainties in the previous paragraph, collectively, are not expected to have a material impact on the Corporation and its subsidiaries, and with respect to forward-looking statements of the Corporation's subsidiaries disclosed in this MD&A, the risks identified by such subsidiaries in their respective MD&A and Annual Information Form most recently filed with the securities regulatory authorities in Canada and available at www.sedar.com. While the Corporation considers these assumptions to be reasonable based on information currently available to management, they may prove to be incorrect.

Other than as specifically required by applicable Canadian law, the Corporation undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results, or otherwise.

Additional information about the risks and uncertainties of the Corporation's business and material factors or assumptions on which information contained in forward-looking statements is based is provided in its disclosure materials, including this MD&A and its most recent Annual Information Form, filed with the securities regulatory authorities in Canada and available at www.sedar.com.

NON-IFRS FINANCIAL MEASURES › This MD&A contains financial measures (including ratios) that do not have a standard meaning under International Financial Reporting Standards (IFRS). Terms by which non-IFRS financial measures are identified include, but are not limited to, "adjusted net earnings", "adjusted net earnings per share", "adjusted net asset value", "adjusted net asset value per share", "consolidated assets and assets under management", "consolidated assets and assets under administration" and "fee-related earnings". Management uses these financial measures in its presentation and analysis of the financial performance, financial condition and cash flows of Power Corporation, and believes that they provide additional meaningful information to readers in their analysis of the results of the Corporation. These non-IFRS financial measures may not be comparable to similar measures used by other entities. Refer to the section "Non-IFRS Financial Measures" in this MD&A for the appropriate reconciliations of these non-IFRS financial measures to measures prescribed by IFRS as well as additional details on each measure. Reconciliations of the adjusted net asset value and the holding company balance sheet are also included in the section "Adjusted Net Asset Value".

This MD&A also includes other measures used to discuss activities of the Corporation's consolidated publicly traded operating companies and alternative asset investment platforms including, but not limited to, "assets under management", "assets under administration", "assets under management and advisement", "book value per participating share", "carried interest", "fee-bearing capital", "market capitalization", "net asset value", "net carried interest" and "unfunded commitments". As well, the presentation of the holding company is used to present and analyze the financial position and cash flows of Power Corporation as a holding company. Refer to the section "Other Measures" in this MD&A for a definition of each measure.

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The following abbreviations are used throughout this report:

adidas	adidas AG
Affidea	Affidea Group B.V.
AIM	AIM sub-market of the London Stock Exchange
Alternative asset investment platforms or Investment platforms	Alternative Asset Investment Platforms
Bellus	Bellus Health Inc.
Canada Life	The Canada Life Assurance Company
Canyon	Canyon Bicycles GmbH
ChinaAMC	China Asset Management Co., Ltd.
EBITDA	Earnings before interest, taxes, depreciation and amortization
EBR	Euronext Brussels
Empower	Empower Annuity Insurance Company of America
EPA	Euronext Paris
EverWest	EverWest Holdings Inc.
GBL	Groupe Bruxelles Lambert
GEA	GEA Group AG
Grayhawk	Grayhawk Wealth Holdings Inc.
Holcim	Holcim Ltd.
IFRS	International Financial Reporting Standards
IGM or IGM Financial	IGM Financial Inc.
IG Wealth Management	Investors Group Inc.
Imerys	Imerys SA
Investment Planning Counsel or IPC	Investment Planning Counsel Inc.
Irish Life	Irish Life Group Limited
Lifeco	Great-West Lifeco Inc.
Lion or Lion Electric	The Lion Electric Company
LMPG	LMPG Inc.
Mackenzie or Mackenzie Investments	Mackenzie Financial Corporation
MassMutual	Massachusetts Mutual Life Insurance Company
MOWI	Mowi ASA
Nautilus or Nautilus Solar	Nautilus Solar Energy, LLC
NCREIF	National Council of Real Estate Investment Fiduciaries
Northleaf	Northleaf Capital Group Ltd.
NYSE	New York Stock Exchange
Ontex	Ontex Group NV
OSE	Oslo Stock Exchange
OSFI	Office of the Superintendent of Financial Institutions
PanAgora	PanAgora Asset Management, Inc.
Pargesa	Pargesa SA
Parjointco	Parjointco SA
Parques Reunidos	Parques Reunidos Servicios Centrales, S.A.
Peak	Peak Achievement Athletics Inc.
Pernod Ricard	Pernod Ricard SA
Personal Capital	Personal Capital Corporation
PFTA or Portage SPAC	Portage Fintech Acquisition Corporation
Portage Ventures I	Portag3 Ventures Limited Partnership
Portage Ventures II	Portag3 Ventures II Limited Partnership
Portage Ventures III	Portage Ventures III Limited Partnership
Potentia or Potentia Renewables	Potentia Renewables Inc.
Power Financial	Power Financial Corporation
Power Sustainable	Power Sustainable Capital Inc.
Power Sustainable China	Power Sustainable Investment Management Inc.
Power Sustainable Energy	Power Sustainable Energy Infrastructure
Power Sustainable Lios	Power Sustainable Lios Inc.
Prudential	Prudential Financial, Inc.
PSEIP	Power Sustainable Energy Infrastructure Partnership
Putnam	Putnam Investments, LLC
Rockefeller	Rockefeller Capital Management
Sagard	Sagard Holdings Inc.
Sagard Credit Partners I	Sagard Credit Partners, LP
Sagard Credit Partners II	Sagard Credit Partners II, LP
Sagard Healthcare Partners	Sagard Healthcare Royalty Partners, LP
Sagard Holdings Management or SHMI	Sagard Holdings Management Inc.
Sagard MidCap	Sagard MidCap II, Sagard MidCap III, and Sagard MidCap IV
Sagard Senior Lending Partners or SSLP	Sagard Senior Lending Partners Holdings (I and II) LP, and Sagard Senior Lending Partners Holdings (I-U and II-U) LP
Sanoptis	Sanoptis AG
SGS	SGS SA
SIX	Swiss Stock Exchange
SPEC	Sagard Private Equity Canada LP
TotalEnergies	TotalEnergies SA
TSX	Toronto Stock Exchange
Umicore	Umicore, NV/SA
USPF	GWL U.S. Property Fund L.P.
Wealthsimple	Wealthsimple Financial Corp.
Webhelp	Webhelp Group
XETR	XETRA Stock Exchange

Overview

POWER CORPORATION OF CANADA

Incorporated in 1925, Power Corporation (TSX: POW; POW.PR.E) is an international management and holding company that focuses on financial services in North America, Europe and Asia. Its core holdings are leading insurance, retirement, wealth management and investment businesses, including a portfolio of alternative asset investment platforms. Through Power Financial, it controls Lifeco and IGM and has an active fintech strategy. It also holds, jointly with the Frère Group of Belgium, a controlling interest in GBL.

Power Corporation conducts its investment activities, built upon a network of deep and long-standing relationships, to provide superior returns. Investment activities include investments in alternative asset managers, Sagard and Power Sustainable, investment funds, and interests in China resulting from more than 40 years of engagement. The Corporation aims to act like an owner with a long-term perspective and a strategic vision anchored in strong core values.

Power Corporation adheres to four overriding investing principles to pursue its objective of achieving sustainable long-term value creation in the best interests of the Corporation:

- Long-term perspective
- Leading franchises with attractive growth profiles
- Strong governance oversight
- Prudent approach to risk management

Power Corporation's value creation strategy is focused on financial services, designed to generate long-term sustainable growth in earnings and dividends, and is based upon three key levers:

- Operating company organic levers: organic growth strategies at the publicly traded operating companies;
- Operating company inorganic levers: deployment and redeployment of capital; and
- Holding company levers: actions that can be taken at the Corporation and between the Corporation and its publicly traded operating companies and investments.

Power Corporation, through its alternative asset investment platforms, is developing alternative asset management businesses which build upon the investment capabilities that have been created over many years in several high-growth asset classes. The alternative asset investment platforms are focused on growing their asset management businesses through raising third-party capital and the Corporation intends to continue to provide seed capital to the different investment products managed by each:

- Sagard is a multi-strategy alternative asset management firm active in venture capital & growth, private equity, private credit, royalties and real estate. Sagard also engages in private wealth management. Sagard looks to generate attractive returns by matching investment opportunities with flexible capital solutions and pairing entrepreneurs with teams that have deep industry knowledge.
- Power Sustainable is a sustainability-led global alternative asset manager with a long-term investment approach. Power Sustainable aims to create long-term value by actively investing in entrepreneurial management teams, companies and projects with sustainable business models. Power Sustainable currently manages four main strategies, including Power Sustainable China, Power Sustainable Energy Infrastructure, Power Sustainable Lios and Power Sustainable Infrastructure Credit.

The Corporation also has significant influence and controlling interests in several standalone businesses managed to create and realize value over time.

TRANSITION TO IFRS 17 AND IFRS 9

- The Corporation and its subsidiaries adopted IFRS 17, *Insurance Contracts* (IFRS 17), replacing IFRS 4, *Insurance Contracts* (IFRS 4) effective January 1, 2023. IFRS 17 impacted only Lifeco due to its insurance activities. While the new standard changes the measurement and timing of recognition of insurance contracts and the corresponding presentation and disclosures in the Corporation's consolidated financial statements, it does not have a material impact or change to Lifeco's underlying business strategy.

  The Corporation and its subsidiaries have also adopted IFRS 9, *Financial Instruments* (IFRS 9), replacing IAS 39, *Financial Instruments: Recognition and Measurement* effective January 1, 2023. IFRS 9 provides changes to financial instruments accounting for the following: classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset; impairment based on an expected loss model; and hedge accounting that incorporates the risk management practices of an entity. The adoption of IFRS 9 has not resulted in a material change in assets, liabilities and earnings.

  Refer to the section "Changes in Accounting Policies" as well as Note 2 and Note 3 to the Corporation's Interim Consolidated Financial Statements for addition information.

  The Corporation is reporting under the new standards for the first time for the quarter ended March 31, 2023. Quarterly comparative results for the year ended December 31, 2022 have been restated, as applicable, in alignment with the new standards. The impacts of the adoption of IFRS 17 include:

  - January 1, 2022 participating shareholders' equity decreased by approximately 10% on the adoption of IFRS 17 on January 1, 2023 in line with original expectations, primarily due to the establishment of the contractual service margin (CSM), partially offset by the removal of provisions no longer required under IFRS 17.
  - The CSM established by Lifeco for in-force contracts at January 1, 2022 was $4.1 billion associated with shareholders' equity and $4.4 billion associated with non-controlling interests. This does not include the CSM on in-force segregated fund business which does not have a material impact on capital.
  - The comparative March 31, 2022 adjusted net earnings [1] reported by Lifeco decreased by approximately 1.8% as a result of the transition. Approximately 70% of Lifeco's business experienced limited or no change in 2022 comparative earnings with the adoption of IFRS 17, and for the businesses more impacted the main drivers of the change in earnings relate to the introduction of the CSM and the removal of the direct link between asset and liability measurement. The decrease in Lifeco's adjusted net earnings was driven by a deferral of new business gains and certain trading activity, partially offset by higher in-force earnings driven by the CSM amortization and deferral of certain non-financial experience.

    There is an expected increase in net earnings volatility driven by the removal of the direct link between asset and liability measurement that existed under the Canadian Asset Liability Matching (CALM) process under IFRS 4. The adoption of IFRS 17 and IFRS 9 has led to an increase in the Corporation's net earnings volatility due to market experience that was a result of the heightened market volatility in 2022.

  Part B of this MD&A further describes the impacts of the adoption of IFRS 17 and IFRS 9 and the expected increase in net earnings volatility at Lifeco.

[1] Defined as "base earnings" by Lifeco, a non-IFRS financial measure; refer to Part B of this MD&A for additional details including a definition and reconciliation by segment.

Change in the definition of Adjusted net earnings, a non-IFRS financial measure

- Effective the first quarter of 2023, the Corporation introduced a refined definition of adjusted net earnings, a non-IFRS financial measure. This change is consistent with the introduction of a refined definition of base earnings (losses) by Lifeco with the adoption of IFRS 17 on January 1, 2023. Lifeco's base earnings (losses) continues to represent its management's view of the underlying business performance of Lifeco and provides an alternate measure to understand the underlying business performance of Lifeco compared with its IFRS-reported net earnings. The definition of Adjustments continues to include what the Corporation previously presented, including Lifeco's impact of assumption changes and management actions that impact the measurement of assets and liabilities, and market-related impacts where actual market returns in the current period are different than longer-term expected returns on assets and liabilities. The definition of Lifeco's base earnings has been refined by Lifeco to exclude the following impacts that are included in IFRS-reported net earnings for an improved representation of Lifeco's underlying business performance, as well as for consistency and comparability with its financial services peers:

  - Realized gains (losses) on the sale of assets measured at fair value through other comprehensive income (FVOCI);
  - The direct equity and interest rate impacts on the measurement of surplus assets and liabilities; and
  - Amortization of acquisition-related finite life intangible assets.

  The Corporation has updated its definition of adjusted net earnings in line with Lifeco's change. The comparative periods have been restated to reflect this change.

  Refer to the section "Non-IFRS Financial Measures" for the refined definition of the Corporation's adjusted net earnings.

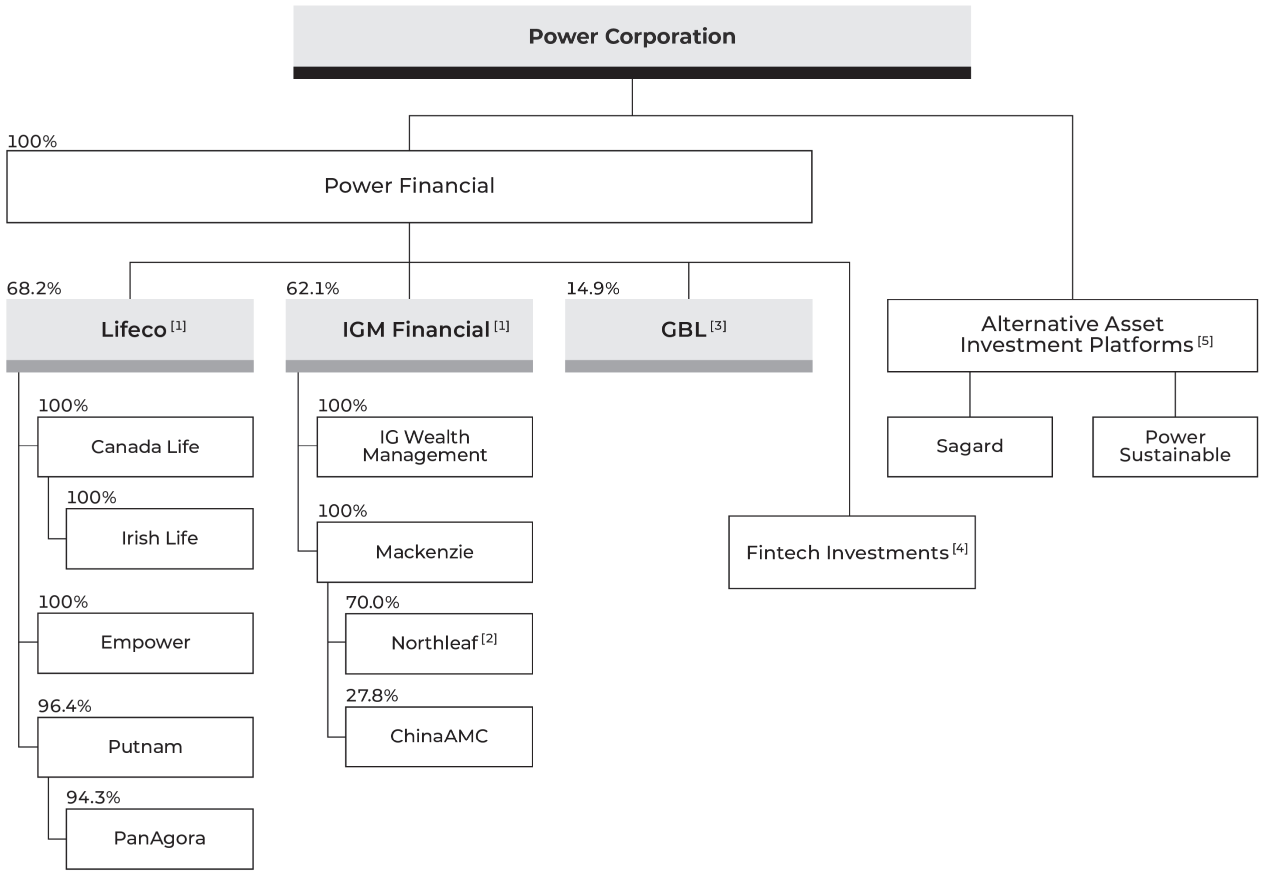
ORGANIZATION OF THE MD&A

The Corporation's MD&A consists of three parts:

- Part A – Power Corporation, presented on a consolidated basis, and including a discussion of the contribution to the holding company from Lifeco, IGM, GBL, and its alternative asset investment platforms and other investments;
- Part B – Lifeco's interim MD&A, as prepared and disclosed by Lifeco in accordance with applicable securities legislation, and which is also available either directly from SEDAR (www.sedar.com) or from Lifeco's website (www.greatwestlifeco.com);
- Part C – IGM's interim MD&A, as prepared and disclosed by IGM in accordance with applicable securities legislation, and which is also available either directly from SEDAR (www.sedar.com) or from IGM's website (www.igmfinancial.com).

Lifeco (TSX: GWO) and IGM (TSX: IGM) are public companies listed on the Toronto Stock Exchange. GBL is a public company listed on the Brussels Stock Exchange (EBR: GBLB). Market capitalizations reported in the following sections are at March 31, 2023 (refer to the section "Other Measures").

The following chart reflects the economic interests held by the Corporation at March 31, 2023, which include the operating subsidiaries (Lifeco and IGM) and its interest in GBL, held through Power Financial, and interests held through the Corporation's alternative asset investment platforms.



In bold: Publicly listed holdings

[1] Lifeco, through Canada Life, holds a 3.9% interest in IGM, and IGM holds a 2.4% interest in Lifeco.

[2] Represents a 49.9% non-controlling voting interest. The interest in Northleaf is held through an acquisition vehicle in which IGM holds an 80% equity interest and Lifeco holds a 20% equity interest.

[3] Held through Parjointco, a jointly controlled corporation (50%). Parjointco has a 44.0% voting interest in GBL. Refer to the section "GBL" for a list of investments.

[4] Includes a controlling interest in Portage Ventures I, Portage Ventures II, Portage Ventures III and Wealthsimple, held through Power Financial, Lifeco and IGM.

[5] Refer to the section "Alternative Asset Investment Platforms" for a list of investments held by each investment platform.

PUBLICLY TRADED OPERATING COMPANIES

The Corporation holds controlling interests, through Power Financial, in Lifeco and IGM. It also has significant holdings in a portfolio of European-based global companies through its investment in GBL.

Lifeco

Great-West Lifeco Inc. (TSX: GWO), market capitalization of $33.4 billion at March 31, 2023, is an international financial services holding company with interests in life insurance, health insurance, retirement savings, wealth and asset management and reinsurance businesses. Lifeco operates primarily in Canada, the United States (U.S.) and Europe under the brands Canada Life, Empower, Putnam Investments and Irish Life. For reporting purposes, Lifeco has four major reportable segments: Canada, the United States, Europe, and Capital and Risk Solutions. Lifeco is advancing its business strategy and driving momentum across its portfolio, including enhancing its reporting and disclosures to focus on three key value drivers for its business: Workplace Solutions (including group life & health, group retirement, and pension administration and record-keeping services); Wealth & Asset Management (including retail savings and wealth products); and Insurance & Risk Solutions (including life insurance, disability, and critical illness coverage for individuals, and payout annuities for individuals and pension plans as well as reinsurance). Accordingly, in the first quarter of 2023 Lifeco updated how it refers to the business units within the Canada, Europe and U.S. segments.

The Canada segment is operated by Canada Life primarily through the Workplace Solutions, Individual Wealth Management, and Insurance & Annuities business units. Through the Workplace Solutions business unit, Lifeco offers group life and health and group retirement products through employer sponsored plans and individual product solutions, including life, accidental death and dismemberment, disability, critical illness, health and dental protection, and creditor insurance, as well as retirement savings and income and annuity products and other speciality products. Through the Individual Wealth Management business unit, Lifeco provides wealth savings and income products to individuals. The Insurance & Annuities business unit offers life, disability and critical illness insurance products to individuals, as well as individual life annuities and single-premium group annuities.

On April 3, 2023, subsequent to quarter-end, Canada Life announced an agreement to acquire Investment Planning Counsel, a leading independent wealth management firm, from IGM. This acquisition accelerates Lifeco's strategy of building the leading platform for independent advisors in Canada. With this acquisition, Canada Life will be one of the largest non-bank wealth management providers in Canada. Canada Life will acquire IPC for a total cash consideration of $575 million, subject to adjustments. Lifeco expects to incur transaction and integration costs of $25 million pre-tax over 18 months after the deal is closed. The transaction is expected to close by the end of 2023 and is subject to customary closing conditions including regulatory approvals. The Corporation, through IGM, currently consolidates IPC and therefore the transaction will not have a significant impact on the Corporation's consolidated statements of earnings and balance sheets.

The United States segment is operated by Empower through the Empower Defined Contribution and the Empower Personal Wealth business units, as well by Putnam through the Asset Management business unit. The Empower Defined Contribution business unit helps people with saving, investing and advice through employer-sponsored plans and individual product solutions. The Empower Personal Wealth business unit offers retail wealth management products and services. This includes the full-service retirement services business of Prudential acquired in 2022 and the results of the business acquired from Personal Capital. The Asset Management business unit, and specifically the Putnam brand, provides investment management services, related administrative functions and distribution services, and offers a broad range of investment products. The Corporate business unit includes items not associated directly with or allocated to the Empower and Asset Management business units, as well as a retained block of life insurance, predominately participating policies, which are now administered by Protective Life Insurance Company (Protective Life), as well as a closed retrocession block of life insurance.

On April 1, 2022, Empower completed the acquisition of the full-service retirement services business of Prudential. With the completion of the acquisition, Empower's reach in the U.S. has expanded to approximately 82,000 workplace savings plans as of March 31, 2023. Lifeco funded the total transaction value of US$3,480 million with US$1,193 million of Limited Recourse Capital Notes (LRCN Series 1) and US$823 million of short-term debt, in addition to its existing resources.

Lifeco anticipates realizing cost synergies through the migration of Prudential's retirement services business onto Empower's record-keeping platform. Estimated run-rate cost synergies are expected to be US$180 million and to be phased in over 24 months, primarily when systems migrations are completed. As of March 31, 2023, US$43 million of pre-tax run-rate cost synergies had been achieved. Revenue synergies of US$20 million are expected by Lifeco on a run-rate basis by the end of 2024 and Lifeco expects them to grow to US$50 million by 2026. Lifeco expects to incur one-time integration and restructuring expenses of US$170 million pre-tax related to the Prudential acquisition, of which US$85 million pre-tax had been incurred as of March 31, 2023. Lifeco expects the integration to be completed in the first half of 2024.

The Europe segment operates under the Canada Life brand in the United Kingdom (U.K.) and Germany and under the Irish Life brand in Ireland. The Workplace Solutions business unit consists of group life and health insurance business in the U.K. and Ireland as well as group retirement and insurance brokerage services in Ireland. The Individual Wealth & Asset Management business unit consists of investment products (including life bonds, retirement drawdown and pension) offered in the U.K., pension, savings and investment products offered in Ireland and individual and group pensions in Germany. Irish Life Investment Managers (ILIM) is one of Lifeco's fund management operations in Ireland. In addition to managing assets on behalf of companies in the Lifeco group, ILIM also manages assets for a wide range of institutional clients across Europe and North America. The Insurance & Annuities business unit consists of bulk and individual payout annuities offered in the U.K. and Ireland, equity-release mortgages offered in the U.K., and individual insurance offered in Ireland and Germany.

The Capital and Risk Solutions segment includes Lifeco's reinsurance business which operates primarily in the U.S., Barbados, Bermuda and Ireland. Reinsurance products are provided through Canada Life and its subsidiaries and include both reinsurance and retrocession business transacted directly with clients or through reinsurance brokers.

On January 12, 2023, the Corporation and IGM completed a transaction under which IGM sold approximately 15.2 million common shares of Lifeco, representing a 1.6% interest in Lifeco, to Power Financial. Refer to the section "ChinaAMC" below. At March 31, 2023, Power Financial and IGM held interests of 68.2% and 2.4%, respectively, in Lifeco's common shares, representing approximately 65% of the voting rights attached to all outstanding Lifeco voting shares. The *Insurance Companies Act* limits voting rights in life insurance companies to 65%.

See Part B of this MD&A for additional information on Lifeco.

IGM Financial

IGM Financial Inc. (TSX: IGM), market capitalization of $9.6 billion at March 31, 2023, is a leading wealth and asset management company supporting advisors and the clients they serve in Canada, and institutional investors throughout North America, Europe and Asia. IGM's principal operating subsidiaries are wealth manager IG Wealth Management and asset manager Mackenzie Investments. IGM also holds a number of strategic investments that provide benefits to the operating subsidiaries while furthering IGM's growth prospects. IGM has three reportable segments: Wealth Management, Asset Management, and Strategic Investments and Other.

The Wealth Management segment reflects the activities of operating companies that are principally focused on providing financial planning and related services to Canadian households and represents the activities of IG Wealth Management and Investment Planning Counsel. These firms are retail distribution organizations that serve Canadian households through their securities dealers, mutual fund dealers and other subsidiaries licensed to distribute financial products and services. The Wealth Management segment provides a comprehensive planning approach through IG Wealth Management and IPC advisors by offering a broad range of financial products and services in the areas of advanced financial planning, mortgages and banking, insurance, and securities. IG Wealth Management distinguishes itself from its competition by offering comprehensive planning to its clients that synchronizes their financial lives. Investment Planning Counsel is an independent distributor of financial products, services and advice in Canada.

The Asset Management segment 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 through institutional advisory mandates to financial institutions, pensions and other institutional investors. Mackenzie Investments is a diversified asset management solutions provider and provides investment management and related services with a wide range of investment mandates through a boutique structure and uses multiple distribution channels. Mackenzie seeks to be Canada's preferred global asset management solutions provider and business partner.

The Strategic Investments and Other segment primarily represents the key strategic investments made by IGM, including ChinaAMC, Lifeco, Northleaf, Wealthsimple, and the Portage Ventures funds (refer to the section "Alternative Asset Investment Platforms"), as well as unallocated capital.

ROCKEFELLER CAPITAL MANAGEMENT AND INVESTMENT PLANNING COUNSEL

On April 3, 2023, subsequent to quarter-end, IGM Financial purchased a 20.5% equity interest in Rockefeller, a leading U.S. independent financial services advisory firm, for consideration of approximately US$622 million payable on June 2, 2023.

Highlights of the Rockefeller transaction include:

- The expansion of IGM's wealth management footprint, through Rockefeller, into the U.S., with a brand and business model focused on the high-net-worth and ultra-high-net-worth segments;
- A strategic ownership position with two board seats and rights enhancing IGM's opportunity to increase its equity interest in Rockefeller in the future; and
- The opportunity for knowledge sharing and collaboration between Rockefeller and IGM's wealth management business.

Concurrently with the Rockefeller transaction, IGM announced that it has entered into an agreement to sell 100% of the common shares of IPC to Canada Life for cash consideration of $575 million. The sale of IPC to Canada Life is expected to close by the end of 2023, subject to customary closing conditions, including regulatory approvals. IGM currently consolidates IPC, and subsequent to the close of the transaction IPC will be consolidated by Lifeco; therefore, the transaction will not have a significant impact on the Corporation's consolidated statements of earnings and balance sheets.

ChinaAMC

On January 12, 2023, the Corporation and IGM completed the previously announced transaction in which the group's interest in ChinaAMC was combined under IGM. The Corporation sold its 13.9% interest in ChinaAMC to Mackenzie, for aggregate consideration of $1.15 billion in cash, increasing IGM's interest in ChinaAMC to 27.8%. The Corporation's shareholders will continue to participate in ChinaAMC through the Corporation's interest in IGM. The Corporation accounted for the group's 27.8% interest in ChinaAMC as an associate in its consolidated financial statements; therefore, the transaction did not have an impact on the carrying value of the investment in ChinaAMC in the consolidated balance sheet.

In a separate transaction, on January 12, 2023, IGM sold approximately 15.2 million Lifeco common shares to Power Financial, for cash consideration of $553 million. IGM's interest in Lifeco was thereby reduced from 4.0% to 2.4%. Power Financial's equity interest in Lifeco increased to 68.2%. IGM recorded a gain on sale of the Lifeco shares of $179 million pre-tax, which the Corporation has eliminated on consolidation.

The Corporation expects to return a portion of the net cash proceeds from the transaction to its shareholders, after factoring in the purchase of Lifeco common shares, through share repurchases over time pursuant to normal course issuer bids.

At March 31, 2023, Power Financial and Canada Life, a subsidiary of Lifeco, held interests of 62.1% and 3.9%, respectively, in IGM's common shares.

See Part C of this MD&A for additional information on IGM.

GBL

Power Financial Europe SA, a wholly owned subsidiary of Power Financial, and the Frère Group each hold a 50% interest in Parjointco. At March 31, 2023, Parjointco held a 29.8% indirect (44.0% of the voting rights) controlling interest in GBL, a Belgian holding company listed on the Brussels Stock Exchange.

GBL (EBR: GBLB), market capitalization of €12.0 billion at March 31, 2023, is an established investment holding company. As a leading and active investor in Europe, GBL is focused on long-term value creation with the support of a stable family shareholder base and perceives environmental, social and governance (ESG) factors as being inextricably linked to value creation. GBL aims to grow its diversified high-quality portfolio of listed, private and alternative investments through GBL Capital. In addition, GBL is developing its third-party asset management activity through Sienna Investment Managers, a wholly owned subsidiary. GBL's portfolio is composed of global companies, leaders in their sectors, in which GBL can contribute to value creation by being an active professional investor.

At March 31, 2023, GBL's portfolio was mainly comprised of the following investments:

PUBLICLY LISTED

- Imerys (EPA: NK) – mineral-based specialty solutions for industry
- SGS (SIX: SGSN) – inspection, verification, testing and certification solutions
- adidas (XETR: ADS) – design, development, production and distribution of sporting goods
- Pernod Ricard (EPA: RI) – wines and spirits
- Holcim (SIX: HOLN) – construction materials and solutions including cement, aggregates and concrete
- Umicore (EBR: UMI) – materials technology and recycling of precious metals
- GEA (XETR: G1A) – supplier of equipment and project management for a wide range of processing industries primarily in the food and beverage sectors
- Ontex (EBR: ONTEX) – personal hygiene solutions provider

PRIVATELY HELD

- Webhelp – business process outsourcer, specializing in customer experience, sales and marketing services and payment services
- Canyon – direct-to-consumer manufacturer of premium bicycles
- Affidea – provider of advanced diagnostics and outpatient services
- Sanoptis – ophthalmology services
- Voodoo – developer and publisher of mobile games
- Parques Reunidos – leisure park operator

Through GBL Capital and Sienna Investment Managers, GBL has expanded its activities into alternative asset management and is developing an alternative investment portfolio including investments in funds externally managed and direct private equity co-investments, and as well offers a full range of investment strategies through its third-party fund managers. Strategies managed by Sienna Investment Managers include Sienna Real Estate, Sienna Gestion, Sienna Private Credit, Sienna Private Equity, Sienna Venture Capital and Sienna Multi-Manager Private Equity, dedicated to primary and secondary fund investing and direct co-investments.

During the first quarter of 2023, GBL reduced its exposure in certain of its publicly listed investments, generating total proceeds of approximately €269 million, including:

- MOWI: GBL disposed of its residual interest in MOWI of 1.9%, for proceeds of €158 million, and generated a net loss for GBL of €5 million (no impact on the net consolidated result in accordance with IFRS 9).
- Pernod Ricard: GBL completed its disposal plan, reducing its interest in Pernod Ricard from 6.9% at December 31, 2022 to 6.7%, for proceeds of €110 million, and generated a net gain for GBL of €76 million based on the historical acquisition price (no impact on the net consolidated result in accordance with IFRS 9).

On March 30, 2023, Webhelp and Concentrix Corporation (Concentrix) (Nasdaq: CNXC) announced that they had entered into an agreement to combine, thereby creating a prominent global player in customer experience. These companies are highly complementary, and the combined group will be better positioned for growth, margin expansion and value creation. The implied valuation of GBL's stake in Webhelp, at the time of the announcement, of €1,529 million corresponds to an economic gain of approximately €0.7 billion based on GBL's historical acquisition price of its initial investment in November 2019. Upon completion of this transaction, expected by the end of 2023, the liability to Webhelp's minority shareholders, valued at €1.8 billion at March 31, 2023, will be extinguished without any cash impact for GBL. GBL will be paid, according to the deal terms, in (i) Concentrix shares representing approximately 12.9% of outstanding common shares; (ii) earn-out shares that could give access to additional capital of the combined entity if certain thresholds are reached; and (iii) a seller note entitling GBL to receive approximately €500 million in cash on the second anniversary of the transaction closing.

In the first quarter of 2023, GBL repurchased, directly and through its subsidiaries, 1.9 million shares of its own capital for a total consideration of €147 million, representing 1.2% of GBL's capital at March 31, 2023. As of March 31, 2023, GBL has completed 92.4% of its fifth allocation for share buybacks of €500 million. On March 9, 2023, GBL's board of directors approved a sixth allocation for share buybacks of €500 million.

GBL reported a net asset value (refer to the section "Other Measures") at March 31, 2023 of €18,596 million, compared with €17,775 million at December 31, 2022.

GBL's financial results and other disclosures are derived from publicly disclosed information, as issued by GBL in its first quarter of 2023 press release. Further information on GBL's results is available on its website (www.gbl.be).

ALTERNATIVE ASSET INVESTMENT PLATFORMS

Since the launch of the first Sagard fund in Europe in 2002, Power Corporation has continued to develop alternative asset investment platforms (investment platforms) that manage portfolios in several alternative asset classes in three principal geographies: Europe, North America, and China. The alternative asset investment platforms offer alternative strategies to traditional long-term investment strategies. Traditional long-term investment strategies generally invest in publicly traded stocks and fixed income investments, whereas the alternative asset strategies include venture capital, private equity, private credit as well as real estate and infrastructure. The investment platforms Sagard and Power Sustainable are managed locally by experienced investment professionals who have an in-depth knowledge of the local markets and benefit from collaboration within the Power group of companies. Power Corporation's investment platforms seek to generate attractive returns for their investors by: i) attracting experienced investment teams to execute on investment strategies where the investment platforms' ecosystem gives them a competitive advantage; ii) leveraging the global network created over decades by the Power group to drive the commercial success of their investment strategies and underlying investments; and iii) providing flexible capital solutions to solve a range of business and financing needs.

The investment platforms comprise asset management and investing activities. Earnings from asset management activities include income earned from management fees and carried interest, net of investment platform expenses. Earnings from investing activities comprise income earned on the capital invested by the Corporation (proprietary capital) in the investment funds managed by each platform and the share of earnings (losses) of controlled and consolidated subsidiaries held within the investment platforms.

Power Corporation invests proprietary capital in the strategies of its investment platforms to support their growth and development as asset managers. The investment platforms' growth strategy is focused primarily on raising third-party capital, and the Corporation expects that its proprietary capital will represent an increasingly smaller proportion of future funds. The Corporation seeks to earn attractive returns on its proprietary capital investments commensurate with the risk profile of the underlying investments in each strategy. Returns are expected to be realized over differing time horizons:

- Income-related strategies such as Private Credit, Royalties and Power Sustainable Energy Infrastructure Partnership are expected to generate returns on a regular basis; and
- Capital appreciation strategies such as Venture Capital & Growth, Private Equity and Power Sustainable China are expected to generate returns as investments are monetized.

Sagard

Sagard is a multi-strategy alternative asset management firm with professionals principally located in Canada, the U.S. and Europe. Sagard seeks to generate attractive returns by matching investment opportunities with flexible capital solutions and pairing entrepreneurs with teams that have deep industry knowledge. Sagard develops long-term partnerships and empowers the growth of its investments through a unique global network of portfolio companies, limited partners, advisors and other valued relationships.

The alternative investment management business of Sagard is consolidated under Sagard Holdings Management Inc. (SHMI). The Corporation, through Sagard, held a 79.0% controlling interest in SHMI at March 31, 2023 (80.9% at December 31, 2022).

The operations of Sagard are comprised of asset management and investing activities.

ASSET MANAGEMENT ACTIVITIES

At March 31, 2023, Sagard had US$14.3 billion of assets under management (US$14.0 billion at December 31, 2022), including unfunded commitments (refer to the section "Other Measures"), across five asset classes: venture capital & growth, private equity, private credit, royalties and real estate, including US$1.0 billion through its private wealth investment platform (same as at December 31, 2022).

Composition of assets under management is as follows:

(In billions of U.S. dollars)	March 31, 2023	December 31, 2022
Funds	8.3	8.0
Separately managed accounts and co-investment vehicles	1.2	1.2
Real estate – separately managed accounts	3.8	3.8
Other [1]	1.0	1.0
Assets under management	14.3	14.0
Power Corporation	*0.9*	*0.9*
Third parties and associated companies [2]	*13.4*	*13.1*
Fee-bearing capital [1, 3]	10.6	10.4
Power Corporation	*0.6*	*0.5*
Third parties and associated companies [2]	*10.0*	*9.9*

[1] Includes assets managed through its private wealth investment platform.

[2] Associated companies includes commitments from management, as well as commitments from Lifeco, IGM and GBL.

[3] Refer to the section "Other Measures".

The following table summarizes the funds managed by Sagard and the Corporation's interests in each of the funds:

March 31, 2023				Interest held			Manager compensation		
(in millions; except as otherwise noted)	Currency	Vintage	Capital commitment	Power Corporation	Associated companies [1]	Third parties	Fees [2]		Carried interest [2]
			($)	(%)	(%)	(%)	(%)		(%)
Venture Capital & Growth									
Portage Ventures I [3, 4]	C$	2016	458	38.0	62.0	–	2.00	Invested capital	10.0
Portage Ventures II [3, 5]	C$	2018	427	12.4	16.8	70.8	2.00	Invested capital	20.0
Portage Ventures III	US$	2021	655	2.4	15.3	82.3	2.25	Committed capital	20.0
Private Equity									
Sagard Private Equity Canada	C$	2021	406	3.7	13.5	82.8	2.00	Committed capital	20.0
Sagard MidCap II [5]	€	2006	728	22.4	25.8	51.8	1.75	Invested capital	20.0
Sagard MidCap III [5, 6]	€	2013	729	0.2	27.0	72.8	2.00	Invested capital	20.0
Sagard MidCap IV	€	2020	815	18.6	27.2	54.2	1.75	Committed capital	20.0
Sagard NewGen	€	2020	313	19.6	23.1	57.3	2.00	Committed capital	20.0
Private Credit									
Sagard Credit Partners I	US$	2017	557	18.0	1.0	81.0	1.50	Invested capital	15.0
Sagard Credit Partners II	US$	2020	1,167	4.3	5.2	90.5	1.50	Invested capital	20.0
Sagard Senior Lending Partners [7]	US$	2022	237	–	21.6	78.4	1.25	Invested capital	15.0
Royalties									
Sagard Healthcare Partners	US$	2019	726	10.3	0.5	89.2	1.75	Committed capital	20.0
Real Estate									
USPF [8]	US$	2002	1,063	1.7	22.7	75.6	0.75-0.98	Net asset value	–

[1] Associated companies includes commitments from management as well as commitments from Lifeco ($33 million in Portage Ventures II, US$59 million in Portage Ventures III, $50 million in SPEC, €50 million in Sagard MidCap IV, US$50 million in Sagard Credit Partners II, up to US$120 million in SSLP, and US$241 million in USPF), IGM ($33 million in Portage Ventures II and US$26 million in Portage Ventures III), Pargesa (€33 million in Sagard MidCap II), and GBL (€102 million in Sagard MidCap II, €192 million in Sagard MidCap III, €150 million in Sagard MidCap IV and €50 million in Sagard NewGen). Lifeco and IGM have invested $26 million and $258 million, respectively, in Portage Ventures I.

[2] Represents the base management fees and carried interest of each fund.

[3] Includes an interest in Portage Ventures I and Portage Ventures II of 38.0% and 7.7%, respectively, held through Power Financial.

[4] Includes investments held by Portage Ventures I, Power Financial and IGM, through limited partnerships controlled by Power Financial, in Wealthsimple.

[5] During the investment period, management fees were based on committed capital. Since the close of the investment period, management fees are based on invested capital, which may include a reserve for follow-on investments.

[6] The Corporation's interest is held in carried interest units.

[7] Fundraising activities continue for Sagard Senior Lending Partners.

[8] USPF is managed by EverWest through a management service agreement. USPF is an open-end real estate fund and generally invests all committed capital; as such the capital commitment of the fund is representative of the net asset value (refer to the section "Other Measures").

The following table summarizes the activities of each of the funds managed by Sagard:

March 31, 2023		Commitment				
(in millions; except as otherwise noted)	Currency	Total funded	Unfunded	Unfunded	Distributions to date [1]	NAV [2]
		($)	($)	(%)	($)	($)
Venture Capital & Growth						
Portage Ventures I [3]	C$	458	–	–	614	1,018
Portage Ventures II	C$	359	68	15.9	17	773
Portage Ventures III	US$	197	458	69.9	–	164
Private Equity						
Sagard Private Equity Canada	C$	52	354	87.1	–	43
Sagard MidCap II [4]	€	722	6	0.9	1,163	36
Sagard MidCap III	€	669	60	8.2	925	615
Sagard MidCap IV	€	419	396	48.6	–	409
Sagard NewGen	€	186	127	40.8	–	209
Private Credit						
Sagard Credit Partners I [5]	US$	546	281	50.4	500	163
Sagard Credit Partners II	US$	397	770	65.9	5	420
Sagard Senior Lending Partners	US$	–	237	100.0	–	–
Royalties						
Sagard Healthcare Partners [5]	US$	557	279	38.4	142	439

[1] Excludes distributions which have been recalled by the fund for reinvestment, as well as distributions made by the fund due to rebalancing from increases in fund size.

[2] Net asset value (NAV) of the fund represents the fair value of investments held within the fund, net of any liabilities, and includes the controlled and consolidated investments held through the fund presented at fair value. Refer to the section "Adjusted Net Asset Value" for a description of the Corporation's fair value adjustments to controlled and consolidated investments.

[3] Includes investments held by Portage Ventures I, Power Financial and IGM, through limited partnerships controlled by Power Financial, in Wealthsimple, which represents a fair value of $0.9 billion at March 31, 2023 (same as at December 31, 2022).

[4] On April 21, 2022, Sagard MidCap II disposed of its last investment.

[5] Total funded commitment represents the net cash funded for portfolio investments and fund expenses since inception, excluding amounts that have been recalled by the fund. The unfunded commitment of Sagard Credit Partners I and Sagard Healthcare Partners includes amounts distributed of $270 million and $110 million, respectively, which are recallable by the fund.

Venture Capital & Growth (Fintech Investments)

- Portage, a global fintech and financial services investment platform within Sagard, had assets under management of US$2.1 billion (C$2.8 billion) at March 31, 2023 (same as at December 31, 2022), including unfunded commitments and an investment in Wealthsimple, a consolidated subsidiary. Portage's mission is to empower entrepreneurs reshaping financial services and its team partners with ambitious companies across all stages, through Portage Ventures and Portage Capital Solutions. Portage has also sponsored a special purpose acquisition company, Portage Fintech Acquisition Corporation.
- Portage Ventures is a global fintech venture capital investment strategy dedicated to supporting fintech innovators in insurance, consumer & small and medium business finance, wealth & asset management, and fintech enablers. Through its funds, Portage Ventures has invested in more than 90 fintech companies and investment funds. The Corporation, through investments held by Power Financial, together with Lifeco, IGM and Sagard, are anchor investors in the Portage Ventures I, Portage Ventures II and Portage Ventures III funds.
  - Portage Ventures I held investments of $122 million at March 31, 2023 ($129 million at December 31, 2022), excluding the investment in Wealthsimple, a consolidated subsidiary discussed below.
  - Portage Ventures II had total capital commitments of $427 million at March 31, 2023, of which Sagard has committed $20 million and Power Financial, Lifeco and IGM have each committed $33 million, for a total of $119 million. At March 31, 2023, the fair value of Portage Ventures II's investment portfolio was $797 million ($810 million at December 31, 2022).
  - Portage Ventures III had total capital commitments of US$655 million at March 31, 2023, of which Sagard committed US$16 million and Lifeco and IGM have committed US$59 million and US$26 million, respectively. At March 31, 2023, the fair value of Portage Ventures III's investment portfolio was $263 million (US$194 million), ($235 million (US$174 million) at December 31, 2022).
- In July 2022, Portage launched Portage Capital Solutions, a capital partner for fintech and financial services businesses which aims to deliver flexible equity capital solutions and resources to later-stage fintech and financial services companies, and will generally target investments over $50 million. Portage Capital Solutions commenced fundraising efforts in the third quarter of 2022. In the first quarter of 2023, Portage Capital Solutions completed its first warehouse investment. At March 31, 2023, the fair value of the fund's investment portfolio was $50 million (US$37 million).
- Portage launched Portage SPAC in the second quarter of 2021, a special purpose acquisition company focused on fintech and financial services opportunities sponsored by PFTA I LP, an affiliate of Sagard. On July 21, 2021, Portage SPAC successfully completed an initial public offering of 25.9 million units at a price of US$10.00 per unit of PFTA, raising gross proceeds of US$259 million, including the exercise of the over-allotment option granted to underwriters of the offering. Since July 21, 2021, the units have been listed on the Nasdaq exchange and trade under the ticker symbol "PFTAU". Each unit consists of one Class A ordinary share of PFTA and one-third of one redeemable warrant.

  Sagard indirectly holds a 6% economic interest in PFTA through Class B shares and private warrants. Sagard has determined that it has significant influence over PFTA through PFTA I LP, and accounts for its interest as an associate using the equity method.

  Portage SPAC is focused on acquisition opportunities in industries that complement the platform's industry knowledge and capitalize on its ability to source and acquire a business in the fintech or financial services ecosystem.

Private Equity

- Sagard, under its private equity asset class, had assets under management of US$2.8 billion at March 31, 2023 (US$2.6 billion at December 31, 2022), including unfunded commitments and an investment in a controlled subsidiary, managed under three strategies including Sagard Private Equity Canada, Sagard Midcap (Europe), and Sagard NewGen (Europe).
- Sagard Private Equity Canada is a private equity strategy investing in the Canadian middle market, with a focus on business and financial services, as well as manufacturing. At March 31, 2023, SPEC had total capital commitments of $406 million, of which Sagard and Lifeco have committed $15 million and $50 million, respectively.
- Sagard MidCap is a European private equity investment strategy which invests in middle-market business services, healthcare, food & consumer, and industrial sectors.
  - Sagard MidCap III, a fund launched in 2013, had total committed capital of €729 million at March 31, 2023.

    Sagard established and manages a special purpose co-investment vehicle, Sagard Minority Extended Participation Fund 1 S.L.P. (Sagard MEP). At March 31, 2023, Sagard MEP had total commitments of €207 million and is a continuation fund that has invested in certain portfolio companies, alongside new financial investors, formerly held by Sagard MidCap III.
  - Sagard MidCap IV, a fund launched in 2020, had total committed capital of €815 million at March 31, 2023, of which the Corporation and Lifeco have committed an amount of €150 million and €50 million, respectively.
- Sagard NewGen, a fund launched in 2020, is a European lower-middle-market private equity investment strategy that invests in high-growth technology and healthcare industry leaders, with investment sizes typically between €10 million and €50 million. In the first quarter of 2023, the fund completed its final close and is closed to new capital commitments. At March 31, 2023, Sagard NewGen had total committed capital of €313 million, of which the Corporation has committed an amount of €60 million. At March 31, 2023, the fair value of Sagard NewGen's investment portfolio, excluding an investment in a controlled subsidiary, was $263 million (€179 million), ($247 million (€171 million) at December 31, 2022).

  In May 2023, subsequent to quarter-end, the Corporation has entered into agreements to sell in secondary transactions €26 million of its total commitment in Sagard NewGen, of which €15 million is currently invested. Upon close of the transactions, the Corporation's total commitment in Sagard NewGen will decrease to €34 million.

Private Credit

- Sagard, under the private credit asset class, had assets under management of US$2.3 billion, including unfunded commitments, at March 31, 2023 (US$2.1 billion at December 31, 2022) managed under two strategies, Sagard Credit and Sagard Senior Lending.
- Sagard Credit is a non-sponsor, direct-lending strategy focused on middle-market public and private companies in North America. It provides bespoke debt solutions across the credit spectrum in first- and second-lien loans, such as unsecured and mezzanine financings, tailored to a company's specific needs.
  - Sagard Credit Partners I, a fund launched in 2017, had total capital commitments of US$557 million at March 31, 2023, of which Sagard has committed US$100 million. Sagard Credit Partners I closed its investment period in December 2021.
  - Sagard Credit Partners II is a successor fund to Sagard Credit Partners I and was launched in 2020. At March 31, 2023, Sagard Credit Partners II had commitments totalling US$1,167 million, of which Sagard and Lifeco have each committed US$50 million.

    Sagard also manages, through a separately managed account with Lifeco, an additional investment of up to US$200 million.
- Sagard Senior Lending is a senior direct-lending strategy focused on middle-market companies in North America. It provides non-sponsor first-lien, floating-rate debt to public and private middle-market companies to help fund growth and other strategic initiatives. Sagard Senior Lending Partners, a fund launched in 2022, had total committed capital of US$315 million at March 31, 2023, of which US$237 million was callable and included a commitment of up to US$120 million from Lifeco (US$51 million currently callable).

  Sagard also manages, through a separately managed account with Lifeco, an additional investment of up to US$240 million under the Sagard Senior Lending strategy at March 31, 2023.

  Sagard continues its fundraising activities for Sagard Senior Lending Partners.

Royalties

- Sagard Healthcare, a biopharmaceutical royalties investment strategy, invests in royalties and credit backed by approved and commercialized biopharmaceutical products, diagnostics and medical devices. Assets under management in Sagard Healthcare were US$914 million, including unfunded commitments and assets managed on behalf of co-investors, at March 31, 2023 (US$911 million at December 31, 2022). Sagard Healthcare aims to accelerate the returns on innovation for owners of intellectual property, while offering investors an attractive healthcare exposure largely uncorrelated to other asset classes.

  Sagard Healthcare Partners, a fund launched in 2019, had total capital commitments of US$726 million, of which Sagard has committed US$75 million.

Real Estate

- EverWest, acquired in November 2021, is a full-service real estate investment platform operating in acquisitions, development, asset management, and property management in specific sub-markets within the United States. EverWest is headquartered in Denver, Colorado and has regional offices throughout the United States. EverWest manages assets with a fair value at March 31, 2023 of US$5.2 billion (US$5.3 billion at December 31, 2022), representing more than 130 properties.

  EverWest offers a variety of investment strategies including separately managed accounts and funds. EverWest manages, through its separately managed account segment and legacy private investment vehicles, real estate assets with a fair value at March 31, 2023 of US$3.8 billion, which includes US$1.1 billion of assets managed on behalf of Lifeco (US$3.8 billion and US$1.2 billion, respectively, at December 31, 2022). EverWest's flagship fund, USPF, is a core open-end real estate investment fund, and is included in the NCREIF Fund Index – Open-End Diversified Core Equity Index (NFI-ODCE). At March 31, 2023, USPF managed assets with a fair value of US$1.4 billion (US$1.5 billion at December 31, 2022).

Private Wealth Investment Platform

- Sagard indirectly holds a 65.0% controlling interest in Grayhawk, a private wealth investment platform offering independent, bespoke and client-centric investment solutions for Canadian families. Grayhawk had $1.3 billion in assets under management at March 31, 2023 (same as at December 31, 2022).

INVESTING ACTIVITIES

The Corporation holds the following investments in funds which are managed by Sagard, including the investments held through Power Financial:

	March 31, 2023			December 31, 2022		
(in millions of Canadian dollars)	Investments to date [1]	Distributions to date [1]	Fair value of the investment	Investments to date [1]	Distributions to date [1]	Fair value of the investment
Venture Capital & Growth						
Portage Ventures I [2]	179	222	387	179	222	391
Portage Ventures II	53	12	85	53	12	87
Portage Ventures III	6	–	5	6	–	5
Private Equity						
Sagard Private Equity Canada	3	1	2	3	1	2
Sagard MidCap II	221	329	9	221	329	9
Sagard MidCap III	525	776	37	525	776	37
Sagard MidCap IV	214	112	109	206	112	100
Sagard NewGen [3]	115	45	80	115	45	76
Private Credit						
Sagard Credit Partners I	166	152	42	158	150	34
Sagard Credit Partners II	25	2	24	16	1	16
Royalties						
Sagard Healthcare Partners	121	67	61	101	47	57
Real Estate						
USPF	22	–	24	22	–	25

[1] Includes distributions which have been recalled by the fund and distributions due to rebalancing.

[2] Includes investment in the controlled and consolidated subsidiary, Wealthsimple, at fair value.

[3] The distributions to date and the fair value of the investment in Sagard NewGen do not include rebalancing as a result of the final close at March 31, 2023, as it occurred subsequent to the quarter-end.

Fintech Investments

Fintech investments are comprised of the Corporation's investments, primarily held through Power Financial, in the Portage Ventures I, Portage Ventures II and Portage Ventures III funds and Wealthsimple. The Corporation's investments in the Portage Ventures funds allow it to deepen its knowledge and accelerate the adoption of innovation within the Power group of companies, while significant investments such as Wealthsimple give direct access to novel capabilities.

WEALTHSIMPLE

At March 31, 2023, Portage Ventures I, Power Financial and IGM collectively held, through a limited partnership controlled by Power Financial, an undiluted equity interest in Wealthsimple of 54.2% (54.3% at December 31, 2022), representing a voting interest of 56.5% and a fully diluted equity interest of 42.5%. Wealthsimple is one of Canada's leading financial technology companies, and operates one of the country's largest and fastest-growing digital investing platforms.

Wealthsimple continues to strengthen its presence in the marketplace and offers a suite of financial products, ranging from investing to spending, saving and tax. At March 31, 2023, Wealthsimple had 2.1 million clients, excluding tax filers, across the Canadian market with assets under administration of $21.3 billion, compared with $19.4 billion at March 31, 2022.

Wealthsimple also offers private asset funds, which allows retail investors to access a sector typically reserved for institutional and high-net-worth individuals. So far, a venture capital and growth equity fund has been made available to its investors. In the first quarter of 2023, through a partnership with Sagard, Wealthsimple announced the launch of Wealthsimple Private Credit, an investment fund that will primarily target investments in senior secured credit, which will be managed by Sagard's private credit team.

The fair value of the Power group's interest in Wealthsimple was $0.9 billion at March 31, 2023, (same as at December 31, 2022). The fair value of the Corporation's 15.9% equity interest in Wealthsimple, including its indirect interest held through Portage Ventures I, on a fully diluted basis, was $333 million at March 31, 2023 (same as at December 31, 2022).

At March 31, 2023, the Power group had invested $315 million in Wealthsimple (same as at December 31, 2022).

Power Sustainable

Power Sustainable is a pure-play sustainable investment manager with offices in Canada, China, and the U.S. Power Sustainable invests in companies and projects that contribute to decarbonization, social progress and quality growth, which are priorities shared by its global network of clients, asset owners, partners and employees. Power Sustainable is currently comprised of four strategies: Power Sustainable China, Power Sustainable Energy Infrastructure, Power Sustainable Lios and Power Sustainable Infrastructure Credit.

ASSET MANAGEMENT ACTIVITIES

At March 31, 2023, Power Sustainable had $3.5 billion of assets under management ($3.4 billion at December 31, 2022), including unfunded commitments. Assets under management reflect the fair value of assets, net of liabilities and project debt, and includes unfunded commitments.

Composition of assets under management is as follows:

(in millions)	March 31, 2023	December 31, 2022
Power Sustainable China		
Funds	134	132
Separate investment management agreements	810	813
Power Sustainable Energy Infrastructure		
Funds	2,038	1,949
Direct Investments	402	391
Power Sustainable Lios		
Funds	155	157
Assets under management	3,539	3,442
Power Corporation	*1,664*	*1,626*
Third parties and associated companies [1]	*1,875*	*1,816*
Fee-bearing capital [2]	2,666	2,533
Power Corporation	*1,495*	*1,444*
Third parties and associated companies [1]	*1,171*	*1,089*

[1] Associated companies includes commitments from management, as well as commitments from Lifeco.

[2] Refer to the section "Other Measures".

The following table summarizes the strategies managed by Power Sustainable and the Corporation's interests in each of the strategies:

March 31, 2023			Commitments		Interest held			
(in millions; except as otherwise noted)	Currency	Vintage	Capital commitments	Total funded	Power Corporation	Associated companies [1]	Third parties	NAV
			($)	($)	(%)	(%)	(%)	($)
Power Sustainable China [2]	C$	2005	944	n.a.	70.3	–	29.7	944
Power Sustainable Energy Infrastructure								
Energy Infrastructure Partnership [3, 4]	C$	2021	1,600	721	39.2	14.9	45.9	1,159
Power Sustainable Lios [5]	C$	2022	161	49	–	20.5	79.5	43

[1] Associated companies includes commitments from management as well as commitments from Lifeco of $220 million in PSEIP and $30 million in Power Sustainable Lios.

[2] Power Sustainable China manages open-end funds and assets on behalf of clients through separate investment management agreements; as such, the capital commitment is representative of the NAV.

[3] NAV of the fund represents the fair value of investments held within the fund, net of any liabilities and project debt, and includes the controlled and consolidated investments held through the fund presented at fair value. Refer to the section "Adjusted Net Asset Value" for a description of the Corporation's fair value adjustments to controlled and consolidated investments.

[4] The interest in the fund is based on invested capital as of March 31, 2023. Excludes direct investments in energy assets, which have a net asset value of $402 million.

[5] Fund commitments of up to $219 million, of which $161 million is currently callable.

Power Sustainable China

Power Sustainable China invests in mainland China's public equity markets and is focused on providing returns with low levels of volatility. Power Sustainable China selects a high-conviction portfolio based on fundamental research and seeks to invest in well-led, high-quality companies that have a competitive edge versus their peers and are aligned with sustainable, long-term trends, as well as with business models that have significant alignment with the following goals: innovation and technology, decarbonization and quality growth.

Power Sustainable China manages China-based equity investment funds and holds a Private Fund Manager (PFM) licence for domestic Chinese investors. Power Sustainable China also manages the Corporation's capital, which is invested in mainland China's public equity markets through a Qualified Foreign Institutional Investor (QFII) licence as well as through the Hong Kong Stock Connect program. At March 31, 2023, Power Sustainable China had $944 million of assets under management ($945 million at December 31, 2022), of which $280 million of assets under management are on behalf of third-party investors ($279 million at December 31, 2022). Power Sustainable China continues fundraising activities across all investment vehicles.

Power Sustainable China earns management fees ranging between 0.75% to 1.50% which are charged on the net asset value of funds and investments managed, as well as performance fees earned on an absolute basis or relative to the MSCI China Index of 15% to 20%.

Power Sustainable Energy Infrastructure

At March 31, 2023, Power Sustainable Energy Infrastructure (Power Sustainable Energy) had $2,440 million of assets under management ($2,340 million at December 31, 2022), including unfunded commitments and direct investments in energy infrastructure, and operated a leading North American-focused renewable energy platform with 1.9 GW of utility-scale and distributed energy assets, including 544 MW of assets under construction, and 374 MW of assets in advanced development projects. Through its wholly owned operating companies, Potentia Renewables and Nautilus Solar, Power Sustainable Energy has a dedicated team of over 100 in-house professionals to oversee the development, construction, financing and operation of renewable energy assets across North America.

- Potentia Renewables: Power Sustainable holds a 100% interest in Potentia, a renewable energy generation company, which is a fully integrated developer, operator and manager of solar and wind energy assets, active in North America.
- Nautilus Solar: Power Sustainable holds a 100% interest in Nautilus, a company headquartered in New Jersey, U.S. that acquires, develops, finances and manages distributed solar projects across community, municipal/utility-scale, commercial and industrial markets.

Power Sustainable Energy actively manages investments through PSEIP and through direct investments. Power Sustainable Energy earns management fees of 0.80% to 1.00% charged on the net asset value of PSEIP as well as a carried interest of 15%. Power Sustainable Energy also earns management fees of 0.85% charged on the net asset value of direct investments.

POWER SUSTAINABLE ENERGY INFRASTRUCTURE PARTNERSHIP

At March 31, 2023, PSEIP had $2.0 billion of assets under management ($1.9 billion at December 31, 2022), including unfunded commitments, throughout North America. At March 31, 2023, PSEIP had total capital commitments of $1.6 billion dedicated to the renewable energy sector, including a total commitment of $450 million from Power Sustainable and $220 million from Lifeco.

In the first quarter of 2023, PSEIP invested $99 million in multiple solar and wind portfolios. At March 31, 2023, the NAV of PSEIP was $1,159 million ($1,035 million at December 31, 2022).

DIRECT INVESTMENTS IN ENERGY INFRASTRUCTURE

Power Sustainable Energy had $402 million of assets under management through direct investments in projects under development and in operation in North America at March 31, 2023 ($391 million at December 31, 2022). These direct investments have a combined 583 MW of solar and wind energy assets, including 306 MW of assets under construction, and 119 MW of assets in advanced development projects.

At March 31, 2023, the total assets on a consolidated basis of PSEIP and direct investments were $3.8 billion ($3.5 billion at December 31, 2022).

Power Sustainable Lios

Power Sustainable Lios is a specialized North American agri-food private equity investment platform supporting the sustainability transformation occurring within our food system. Lios Fund I, its inaugural fund, invests in growth-oriented, mid-market companies across the food value chain in North America to drive positive and sustainable change. At March 31, 2023, Lios Fund I had total capital commitments of up to $219 million, of which $161 million is currently callable by the fund and includes a commitment from Lifeco of $30 million.

Power Sustainable Infrastructure Credit

On March 9, 2023, Power Sustainable announced the launch of its Global and European infrastructure credit platforms. These platforms will target global investments in energy, transportation, social, digital and other sustainable infrastructure. The Global platform, based in Miami, will target sub-investment-grade infrastructure investments. The European platform, based in London, will target both investment-grade and sub-investment-grade infrastructure investments across the U.K. and Europe. The platforms will seek to support sustainable assets, portfolios and operating companies with tailored financing solutions. Power Sustainable expects to commence fundraising in the second half of 2023.

INVESTING ACTIVITIES

The Corporation holds the following investments in each of the strategies managed by Power Sustainable:

	March 31, 2023			December 31, 2022		
(in millions of Canadian dollars)	Investments to date	Distributions to date	Fair value of the investment	Investments to date	Distributions to date	Fair value of the investment
Power Sustainable China [1, 2]	412	340	664	387	340	666
Power Sustainable Energy Infrastructure						
PSEIP [3]	280	9	429	269	9	388
Direct investments [4]	1,021	500	402	978	500	391

[1] The fair value of the investments at March 31, 2023 includes $52 million held in cash ($53 million at December 31, 2022 net of unsettled transactions).

[2] Investments to date includes $175 million invested in the Power Sustainable China platform since 2005 to fund expenses ($150 million at December 31, 2022). The increase in the first quarter of 2023 primarily relates to the funding of a performance fee.

[3] Includes the Corporation's share of investments in controlled and consolidated subsidiaries held through PSEIP at fair value. Investments to date include amounts previously held through direct investments which were transferred to PSEIP in 2021 and in the third quarter of 2022.

[4] Includes the direct investments in energy infrastructure at fair value. Investments to date include funding related to the acquisitions of Potentia and Nautilus and related platform expenses prior to the establishment of Power Sustainable Energy Infrastructure.

OTHER INVESTMENTS AND STANDALONE BUSINESSES

Other investments and standalone businesses includes the Corporation's investments in investment and hedge funds as well as the following equity investments in standalone businesses which are managed to create and realize value over time.

Standalone Businesses

SAGARD

- Peak: Sagard held a 42.6% equity interest and a 50% voting interest in Peak at March 31, 2023. Peak designs, develops and commercializes sports equipment and apparel for ice hockey and lacrosse under iconic brands including Bauer. The Corporation's investment is accounted for using the equity method.

POWER SUSTAINABLE

- LMPG: Power Sustainable, through Power Sustainable Energy, held a controlling interest of 49.6% at March 31, 2023 (same as at December 31, 2022) in LMPG, an internationally recognized designer, developer, and manufacturer of a wide range of high-performance and sustainable specification-grade LED solutions for commercial, institutional, and urban environments.

  On February 16, 2023, LMPG announced the acquisition of Architectural Lighting Works (ALW), a privately owned, innovative interior and exterior architectural LED lighting solutions provider. ALW produces a diverse selection of linear, architectural decorative, cylinder and acoustic lighting products for commercial, institutional, corporate, and health care environments in North America.

- Lion Electric (NYSE: LEV) (TSX: LEV): Power Sustainable, through Power Sustainable Energy, held a 34.5% equity interest at March 31, 2023 (35.4% at December 31, 2022) in Lion Electric. An innovative manufacturer of zero-emission vehicles, Lion Electric creates, designs and manufactures all-electric Class 5 to Class 8 commercial urban trucks and all-electric buses and minibuses for the school, paratransit and mass transit segments. Lion designs, builds and assembles many of its vehicles' components, including chassis, battery packs, truck cabins and bus bodies.

  At March 31, 2023, Power Sustainable also held 9,842,519 warrants. The fair value of the warrants was $8 million at March 31, 2023 ($9 million at December 31, 2022).

Basis of Presentation

IFRS FINANCIAL MEASURES AND PRESENTATION

The Interim Consolidated Financial Statements of the Corporation have been prepared in accordance with International Accounting Standard 34 – *Interim Financial Reporting* (IAS 34) and are presented in Canadian dollars.

Consolidated financial statements present, as a single economic entity, the assets, liabilities, revenues, expenses and cash flows of the parent company and its subsidiaries. The consolidated financial statements present the financial results of Power Corporation (parent) and its subsidiaries after the elimination of intercompany balances and transactions.

The financial statements of the Corporation include the consolidated results of Power Financial which include the results of Lifeco, IGM, Wealthsimple and the Portage Ventures I, Portage Ventures II and Portage Ventures III funds, which are controlled by Power Financial.

Power Financial's investment in GBL is held through Parjointco. Parjointco is a holding company jointly controlled by Power Financial and the Frère Group, and is accounted for using the equity method.

Under the equity method, the investment is initially recognized at cost and adjusted thereafter for changes in the share of net earnings (loss) and other comprehensive income (loss). The investment is reduced by the amount of dividends received.

The investment platforms manage and operate alternative asset investment funds in which third-party investors, the Corporation and associated companies can participate. The Corporation controls a fund when it is exposed, or has rights, to variable returns from its involvement with the fund and has the ability to affect those returns through its power to direct the relevant activities of the fund.

The following table summarizes the accounting presentation for the Corporation's holdings:

Control	Accounting Method	Earnings and Other Comprehensive Income	Impairment Testing	Impairment Reversal
Controlling interest in the entity	Consolidation	Consolidated with non-controlling interests	Goodwill and indefinite life intangible assets are tested at least annually for impairment	Impairment of goodwill cannot be reversed Impairment of intangible assets is reversed if there is evidence of recovery of value
Significant influence or joint control	Equity method	Corporation's share of earnings and other comprehensive income	Entire investment is tested for impairment	Reversed if there is evidence the investment has recovered its value
	Fair value through profit or loss (FVPL) [1]	Investments are marked to market through earnings and earnings include dividends received	n.a.	n.a.
Investment (in equity)	FVPL	Investments are marked to market through earnings and earnings include dividends received	n.a.	n.a.
	Fair value through other comprehensive income (FVOCI)	The investments are marked to market through other comprehensive income (OCI) Realized gains or losses on disposal remain permanently in equity and are transferred from OCI to retained earnings Earnings consist of dividends received	n.a.	n.a.

[1] The Corporation has elected to measure certain of its investments in jointly controlled corporations and associates held by entities that meet the definition of a venture capital organization at fair value through profit or loss.

At March 31, 2023, the Corporation's main holdings were as follows:

Holdings	% economic interest	Nature of investment	Accounting method
Publicly traded operating companies [1]			
Lifeco [2]	68.2	Controlling interest	Consolidation
IGM [3]	62.1	Controlling interest	Consolidation
GBL [4]	14.9	Joint control	Equity method
Alternative asset investment platforms			
Sagard	100.0	Controlling interest	Consolidation
SHMI [5]	79.0	Controlling interest	Consolidation
Wealthsimple [1, 6]	13.5	Controlling interest	Consolidation
Portage Ventures I [1, 7]	63.0	Controlling interest	Consolidation
Portage Ventures II [1, 8]	12.4	Controlling interest	Consolidation
Portage Ventures III [9]	2.4	Controlling interest	Consolidation
Sagard Private Equity Canada [10]	3.7	Investment	Fair value through profit or loss
Sagard MidCap II	22.4	Investment	Fair value through profit or loss
Sagard MidCap IV [11]	18.6	Investment	Fair value through profit or loss
Sagard NewGen	19.6	Controlling interest	Consolidation
Sagard Credit Partners I	18.0	Investment	Fair value through profit or loss
Sagard Credit Partners II [12]	4.3	Investment	Fair value through profit or loss
Sagard Healthcare Partners	10.3	Investment	Fair value through profit or loss
Power Sustainable	100.0	Controlling interest	Consolidation
Power Sustainable Investment Management Inc.	100.0	Controlling interest	Consolidation
Power Sustainable China (public equities)	< 5.0	Investment	Fair value through other comprehensive income
Power Sustainable Energy Infrastructure Partnership [13]	39.2	Controlling interest	Consolidation
Potentia	100.0	Controlling interest	Consolidation
Nautilus	100.0	Controlling interest	Consolidation
Standalone businesses			
Peak	42.6	Joint control	Equity method
LMPG	49.6	Controlling interest	Consolidation
Lion	34.5	Significant influence	Equity method

[1] Investments held by the Corporation through Power Financial.

[2] IGM also holds a 2.4% interest in Lifeco.

[3] Canada Life also holds a 3.9% interest in IGM.

[4] Held through Parjointco, a jointly controlled corporation (50%). Parjointco holds a controlling interest in GBL.

[5] During the first quarter of 2023, management of Sagard made an additional investment in SHMI and acquired an interest of 1.8%. SHMI also has a long-term incentive program pursuant to which certain key members of management have received, or will receive in the future, compensation in the form of equity of SHMI vesting over a 6-year period. At March 31, 2023, management of Sagard held a 14.0% interest in SHMI. Lifeco also holds a 7.0% interest in SHMI.

[6] Portage Ventures I and IGM also hold interests of 10.8% and 29.9%, respectively, in Wealthsimple (see also the section "Wealthsimple").

[7] Lifeco and IGM also hold equal interests of 18.5% in Portage Ventures I.

[8] Power Financial holds a 7.7% interest, Sagard holds a 4.7% interest, and Lifeco and IGM also hold equal interests of 7.7% in Portage Ventures II.

[9] Lifeco and IGM also hold interests of 9.0% and 4.0%, respectively, in Portage Ventures III.

[10] Lifeco also holds a 12.3% interest in Sagard Private Equity Canada.

[11] Lifeco also holds a 6.1% interest in Sagard MidCap IV.

[12] Lifeco also holds a 4.2% interest in Sagard Credit Partners II.

[13] Lifeco also holds a 14.9% interest in PSEIP.

At March 31, 2023, Parjointco's main holdings were as follows:

Holdings	% economic interest	Nature of investment	Accounting method
GBL	29.8	Controlling interest	Consolidation
Publicly listed			
Imerys	54.6	Controlling interest	Consolidation
Pernod Ricard	6.7	Investment	Fair value through other comprehensive income
adidas	7.6	Investment	Fair value through other comprehensive income
SGS	19.3	Investment	Fair value through other comprehensive income
Umicore	15.9	Investment	Fair value through other comprehensive income
Holcim	2.1	Investment	Fair value through other comprehensive income
GEA	6.3	Investment	Fair value through other comprehensive income
Ontex	20.0	Investment	Fair value through other comprehensive income
Other investments	< 5.0	Investment	Fair value through other comprehensive income
Privately held			
Sienna Investment Managers	100.0	Controlling interest	Consolidation
GBL Capital	100.0	Controlling interest	Consolidation
Webhelp	61.5	Controlling interest	Consolidation
Canyon	48.0	Controlling interest	Consolidation
Affidea	99.6	Controlling interest	Consolidation
Sanoptis	83.8	Controlling interest	Consolidation
Voodoo	16.2	Investment	Fair value through other comprehensive income
Parques Reunidos	23.0	Significant influence	Equity method

The following table summarizes the classification of the investments held by the controlled and consolidated funds managed by the investment platforms:

Investment Fund	Classification of Investments held by the fund	Measurement
Portage Ventures I [1]	Fair value through profit or loss	Fair value
Portage Ventures II	Fair value through profit or loss	Fair value
Portage Ventures III	Fair value through profit or loss	Fair value
Sagard NewGen [2]	Fair value through profit or loss	Fair value

[1] Excludes investment in Wealthsimple which is controlled and consolidated by the Corporation.

[2] Excludes an investment in a controlled and consolidated subsidiary.

This basis of presentation should be read in conjunction with the Basis of presentation and summary of material accounting policies (Note 2), Adoption of IFRS 17, *Insurance Contracts* and IFRS 9, *Financial Instruments* (Note 3) and Investments (Note 5) of the Interim Consolidated Financial Statements, and the following notes to the Corporation's 2022 Consolidated Financial Statements:

- Investments in jointly controlled corporations and associates (Note 7);
- Goodwill and intangible assets (Note 10); and
- Non-controlling interests (Note 20).

Results of Power Corporation

This section presents:

- The “Consolidated Statements of Earnings in accordance with IFRS”; and
- A discussion of the contributions to Power Corporation of its operating subsidiaries (Lifeco and IGM) and GBL, which are held through Power Financial, the contribution of the Corporation’s alternative asset investment platforms and the Corporation’s other investments and standalone businesses to the net earnings and adjusted net earnings of Power Corporation.

Adjusted net earnings is a non-IFRS financial measure. Refer to the section “Non-IFRS Financial Measures” for a description and reconciliation of IFRS and non-IFRS financial measures.

PRESENTATION OF THE HOLDING COMPANY

The Corporation’s reportable segments include Lifeco, IGM Financial and GBL, which represent the Corporation’s investments in publicly traded operating companies, as well as the holding company. These reportable segments, in addition to the asset management activities, reflect Power Corporation’s management structure and internal financial reporting. The Corporation evaluates its performance based on the operating segment’s contribution to earnings.

The holding company comprises the corporate activities of the Corporation and Power Financial, on a combined basis, and presents the investment activities of the Corporation. The investment activities of the holding company, including the investments in Lifeco, IGM and controlled entities within the alternative asset investment platforms, are presented using the equity method. The holding company activities present the holding company’s assets and liabilities, including cash, investments, debentures and non-participating shares. The discussions included in the sections “Financial Position” and “Cash Flows” present the segmented balance sheet and cash flow statement of the holding company, which are presented in Note 23 of the Interim Consolidated Financial Statements, and reconciliations of these statements are provided throughout this MD&A.

CONSOLIDATED STATEMENTS OF EARNINGS IN ACCORDANCE WITH IFRS

Power Corporation's consolidated statements of earnings for the three months ended March 31, 2023 are presented below. The Corporation's reportable segments include Lifeco, IGM and GBL, as well as the holding company. This table reflects the contributions to the net earnings attributable to Power Corporation's participating shareholders from its reportable segments and Sagard and Power Sustainable, the Corporation's alternative asset investment platforms, which include controlled and consolidated investment funds and investments, and the Corporation's other investments and standalone businesses.

Consolidated net earnings – Three months ended

	Lifeco	IGM	GBL	Holding company	Alternative Asset Investment Platforms and Other [1]	Effect of consolidation [2]	Power Corporation Consolidated net earnings		
							March 31, 2023	December 31, 2022 (restated)	March 31, 2022 (restated)
Insurance service result									
Insurance revenue	5,037	–	–	–	–	–	5,037	5,442	4,780
Insurance service expenses	(3,995)	–	–	–	–	–	(3,995)	(4,368)	(3,737)
Net expense from reinsurance contracts	(342)	–	–	–	–	–	(342)	(376)	(362)
Total insurance service result	700	–	–	–	–	–	700	698	681
Net investment result									
Net investment income (loss) [3]	5,676	191	–	21	38	(164)	5,762	3,510	(9,888)
Net finance income (expenses) from insurance and reinsurance contracts and changes in investment contract liabilities	(5,359)	–	–	–	–	–	(5,359)	(3,374)	10,964
Total net investment result	317	191	–	21	38	(164)	403	136	1,076
Fee income and other revenues	1,643	846	–	–	209	(25)	2,673	2,632	2,501
Operating and administrative expenses	(1,914)	(615)	–	(51)	(341)	22	(2,899)	(2,934)	(2,473)
Financing charges	(115)	(28)	–	(14)	(30)	(4)	(191)	(228)	(141)
Earnings before investments in jointly controlled corporations and associates, and income taxes	631	394	–	(44)	(124)	(171)	686	304	1,644
Share of earnings (losses) of investments in jointly controlled corporations and associates	3	53	19	2	(13)	(31)	33	(80)	32
Earnings before income taxes	634	447	19	(42)	(137)	(202)	719	224	1,676
Income taxes	29	64	–	40	(5)	(9)	119	16	265
Net earnings	605	383	19	(82)	(132)	(193)	600	208	1,411
Attributable to									
Non-controlling interests	210	262	–	34	(39)	(193)	274	106	536
Non-participating shareholders	–	–	–	13	–	–	13	13	13
Participating shareholders of Power Corporation [2]	395	121	19	(129)	(93)	–	313	89	862
	605	383	19	(82)	(132)	(193)	600	208	1,411

[1] "Alternative Asset Investment Platforms and Other" is comprised of the Corporation's alternative asset investment platforms, which include consolidated investment funds, as well as the investment activities held through Power Financial including Portage Ventures I, Portage Ventures II and Wealthsimple, and the Corporation's other investments and standalone businesses.

[2] The results presented for Lifeco and IGM are as reported by each. The Effect of consolidation includes the elimination of intercompany transactions, the application of the Corporation's accounting method for investments under common control, and reflects adjustments in accordance with IAS 39 for IGM for comparative periods presented prior to the Corporation's adoption of IFRS 9 on January 1, 2023. The contribution from Lifeco, IGM, GBL and Alternative Asset Investment Platforms and Other to net earnings attributable to participating shareholders of the Corporation includes the effect of consolidation, and represents the contribution to the holding company.

[3] Includes net investment income and change in fair value through profit or loss included in the net investment result on the consolidated statements of earnings.

As a holding company, the Corporation evaluates the performance of each segment based on its contribution to net and adjusted net earnings attributable to participating shareholders. A discussion of the results of Lifeco, IGM and GBL is provided in the section "Contribution to net earnings and adjusted net earnings" below.

CONTRIBUTION TO NET EARNINGS AND ADJUSTED NET EARNINGS

This section details the contribution to the net earnings and adjusted net earnings attributable to Power Corporation's participating shareholders from Lifeco, IGM, GBL and Sagard and Power Sustainable, the Corporation's alternative asset investment platforms, which include the contribution from controlled and consolidated investments, and the Corporation's other investments and standalone businesses. The corporate operations from Power Corporation and Power Financial are presented on a combined basis.

Three months ended	March 31, 2023	December 31, 2022 (restated)	March 31, 2022 (restated)
Adjusted net earnings [1]			
Lifeco [2]	549	579	474
IGM [2]	128	140	135
GBL [2]	19	(24)	(29)
Effect of consolidation [3]	(14)	30	33
	682	725	613
Sagard and Power Sustainable [4]	(88)	(183)	(81)
ChinaAMC [5]	2	14	13
Other investments and standalone businesses	16	(82)	(1)
Corporate operating and other expenses	(51)	(49)	(56)
Dividends on non-participating and perpetual preferred shares	(47)	(47)	(46)
	514	**378**	**442**
Adjustments [6]			
Lifeco [2]	(145)	(278)	414
IGM [2]	109	–	–
Effect of consolidation	(111)	(11)	16
	(147)	(289)	430
ChinaAMC [5]	(54)	–	–
Sagard and Power Sustainable	–	–	(10)
	(201)	**(289)**	**420**
Net earnings [7]			
Lifeco [2]	404	301	888
IGM [2]	237	140	135
GBL [2]	19	(24)	(29)
Effect of consolidation	(125)	19	49
	535	436	1,043
Sagard and Power Sustainable [4]	(88)	(183)	(91)
ChinaAMC [5]	(52)	14	13
Other investments and standalone businesses	16	(82)	(1)
Corporate operating and other expenses	(51)	(49)	(56)
Dividends on non-participating and perpetual preferred shares	(47)	(47)	(46)
	313	**89**	**862**
Earnings per share – basic [7]			
Adjusted net earnings	0.77	0.57	0.65
Adjustments	(0.30)	(0.43)	0.63
Net earnings	**0.47**	**0.14**	**1.28**

[1] Adjusted net earnings is a non-IFRS financial measure. Refer to the section "Non-IFRS Financial Measures". For a reconciliation of Lifeco, IGM, and Sagard and Power Sustainable's non-IFRS adjusted net earnings to their net earnings, refer to the sections "Lifeco", "IGM Financial", and "Sagard and Power Sustainable" below which detail the contribution to net earnings and adjusted net earnings of each.

[2] As reported by Lifeco, IGM and GBL.

[3] See table below for details on Effect of consolidation.

[4] Consists of earnings (losses) of the Corporation's investment platforms including investments held through Power Financial.

[5] On January 12, 2023, the Corporation and IGM completed a transaction in which the interest in ChinaAMC was combined under IGM. The Corporation sold its 13.9% interest in ChinaAMC to IGM and no longer holds a direct interest in ChinaAMC. Refer to the section "Adjustments" below.

[6] See the section "Adjustments" below, including details on Effect of consolidation.

[7] Attributable to participating shareholders.

Effect of consolidation reflects:

- The elimination of intercompany transactions;
- The application of the Corporation's accounting method for investments under common control to the reported net earnings of the publicly traded operating companies, which include:
  - i) An adjustment related to Lifeco's investment in PSEIP; and
  - ii) An allocation of the results of the fintech portfolio, including Wealthsimple, Portage Ventures I, Portage Ventures II and Portage Ventures III, to the contributions from Lifeco and IGM based on their respective interest; and
- Adjustments in accordance with IAS 39 for IGM and GBL for comparative periods presented prior to the Corporation's adoption of IFRS 9 on January 1, 2023.

The following table summarizes the effect of consolidation on adjusted net earnings by nature for Lifeco, IGM and GBL:

Three months ended	March 31, 2023	December 31, 2022 (restated)	March 31, 2022 (restated)
Lifeco			
Application of the Corporation's accounting method on investments under common control and other	(9)	(33)	(10)
IGM			
Application of the Corporation's accounting method on investments under common control	(4)	(6)	1
Adjustments in accordance with IAS 39 and other [1]	(1)	(3)	(1)
	(5)	(9)	–
GBL			
Adjustments in accordance with IAS 39 and other [1]	–	72	43
	(14)	30	33
Per share	(0.02)	0.05	0.04

[1] Adjustments for IAS 39 are included in the comparative periods, prior to the adoption of IFRS 9 by the Corporation on January 1, 2023.

Q1 2023 vs. Q1 2022 and Q4 2022

Net earnings
$313 million or $0.47 per share, compared with $862 million or $1.28 per share in the corresponding period in 2022, a decrease of 63.3% on a per share basis, and $89 million or $0.14 per share in the fourth quarter of 2022.

Adjusted net earnings
$514 million or $0.77 per share, compared with $442 million or $0.65 per share in the corresponding period in 2022, an increase of 18.5% on a per share basis, and $378 million or $0.57 per share in the fourth quarter of 2022.

Contribution to net earnings and adjusted net earnings from Lifeco, IGM and GBL
Contribution to net earnings of $535 million, compared with $1,043 million in the corresponding period in 2022, a decrease of 48.7%, and $436 million in the fourth quarter of 2022.

Contribution to adjusted net earnings of $682 million, compared with $613 million in the corresponding period in 2022, an increase of 11.3%, and $725 million in the fourth quarter of 2022.

A discussion of the results of the Corporation is provided in the sections "Lifeco", "IGM Financial", "GBL", "Sagard and Power Sustainable", "Other investments and standalone businesses", "Corporate operations", and "Adjustments" below.

LIFECO

Contribution to Power Corporation

Three months ended	March 31, 2023	December 31, 2022 (restated)	March 31, 2022 (restated)
Contribution to Power Corporation's [1]:			
Adjusted net earnings			
As reported by Lifeco	549	579	474
Effect of consolidation [2]	(9)	(33)	(10)
	540	546	464
Adjustments			
As reported by Lifeco	(145)	(278)	414
Effect of consolidation [3]	–	–	1
	(145)	(278)	415
Net earnings	395	268	879

[1] Power Financial's average direct ownership in Lifeco was 68.0% for the quarter ended March 31, 2023 (66.6% in the corresponding period in 2022).

[2] The Effect of consolidation includes the elimination of intercompany transactions and the application of the Corporation's accounting method for investments under common control including an adjustment for Lifeco's investment in PSEIP and an allocation of the results of the fintech portfolio.

[3] Refer to the section "Adjustments" below for details of Effect of consolidation.

Adjusted and net earnings per share as reported by Lifeco

Three months ended	March 31, 2023	December 31, 2022 (restated)	March 31, 2022 (restated)
Adjusted net earnings per share [1, 2]	0.87	0.93	0.76
Adjustments [3]	(0.23)	(0.45)	0.67
Net earnings per share [1]	0.64	0.48	1.43

[1] Attributable to Lifeco common shareholders.

[2] Defined as "base earnings per common share" by Lifeco, a non-IFRS ratio; refer to Part B of this MD&A. Effective January 1, 2023, with the adoption of IFRS 17, Lifeco refined the definition of base earnings for an improved representation of Lifeco's underlying business performance, as well as for consistency and comparability with financial services industry peers. The comparative periods have been adjusted to reflect this change.

[3] See the section "Adjustments" below.

Contribution to adjusted and net earnings by segments as reported by Lifeco

Three months ended	March 31, 2023	December 31, 2022 (restated)	March 31, 2022 (restated)
Adjusted net earnings [1, 2]			
Canada	278	260	224
United States	200	190	144
Europe	178	256	176
Capital and Risk Solutions	157	181	171
Lifeco Corporate	(5)	(18)	(3)
	808	869	712
Adjustments [3, 4]			
Market experience gains and losses [5]	(168)	(386)	686
Assumption changes and management actions [5]	7	(29)	(18)
Transaction costs related to acquisitions	–	(5)	(7)
Restructuring and integration costs	(19)	(32)	(12)
Tax legislative changes impact	–	63	–
Amortization of acquisition-related finite life intangibles	(33)	(28)	(27)
	(213)	(417)	622
Net earnings [1]			
Canada	233	352	443
United States	151	142	112
Europe	40	(25)	544
Capital and Risk Solutions	184	3	234
Lifeco Corporate	(13)	(20)	1
Net earnings [1]	595	452	1,334

[1] Attributable to Lifeco common shareholders.

[2] Defined as "base earnings" by Lifeco, a non-IFRS financial measure; refer to Part B of this MD&A for additional details including a definition and reconciliation by segment. Effective January 1, 2023, with the adoption of IFRS 17, Lifeco refined the definition of base earnings for an improved representation of Lifeco's underlying business performance, as well as for consistency and comparability with financial services industry peers. The comparative periods have been adjusted to reflect this change.

[3] Described as "items excluded from base earnings" by Lifeco; refer to Part B of this MD&A.

[4] See the section "Adjustments" below.

[5] Refer to Part B of this MD&A for more details, including a definition of these Adjustments.

Q1 2023 vs. Q1 2022 and Q4 2022

Net earnings

$595 million or $0.64 per share, compared with $1,334 million or $1.43 per share in the corresponding period in 2022, a decrease of 55.2% on a per share basis, and $452 million or $0.48 per share in the fourth quarter of 2022.

Adjusted net earnings

$808 million or $0.87 per share, compared with $712 million or $0.76 per share in the corresponding period in 2022, an increase of 14.5% on a per share basis, and $869 million or $0.93 per share in the fourth quarter of 2022.

CANADA

Net earnings in the three-month period ended March 31, 2023 decreased by $210 million to $233 million, compared with the corresponding quarter in 2022. Adjusted net earnings in the three-month period ended March 31, 2023 were $278 million, an increase of $54 million compared with the corresponding quarter in 2022, primarily due to:

- More favourable group insurance long-term disability morbidity experience, pricing actions in the Group Life & Health business and higher earnings on surplus.
- Partially offset by unfavourable individual insurance mortality experience.

Adjusted net earnings in the three-month period ended March 31, 2023 excluded Adjustments of negative $45 million, compared with Adjustments of positive $219 million in the corresponding quarter in 2022. Market experience losses were $43 million in the first quarter of 2023 due to declining interest rates, compared with market experience gains of $226 million in the corresponding quarter in 2022 due to rising interest rates.

UNITED STATES

Net earnings in the three-month period ended March 31, 2023 increased by US$27 million (C$39 million) to US$114 million (C$151 million), compared with the corresponding quarter in 2022. Adjusted net earnings were US$149 million (C$200 million) in the three-month period ended March 31, 2023, an increase of US$37 million (C$56 million), compared with the corresponding quarter in 2022, primarily due to:

- An increase of US$67 million from the Empower business units to an adjusted net earnings of US$186 million, primarily due an increase of US$51 million related to the Prudential acquisition, as well as higher contributions from investment experience and realized synergies from the MassMutual acquisition. These items were partially offset by lower fee income driven by lower average equity markets.

Partially offset by

- A decrease of US$19 million in the Asset Management business unit to an adjusted net loss of US$20 million, primarily due to lower asset-based fee income, partially offset by higher net investment income and lower volume-driven expenses; and
- A decrease of US$11 million in the Corporate business unit to an adjusted net loss of US$17 million, primarily due to lower net investment income.

Adjusted net earnings in the three-month period ended March 31, 2023 excluded Adjustments of negative US$35 million (C$49 million), compared with negative US$25 million (C$32 million) in the corresponding quarter in 2022. The increase in Adjustments was primarily due to higher integration costs related to the Prudential acquisition partially offset by the non-recurrence of integration costs related to the acquisition of Personal Capital incurred in the corresponding quarter in 2022 in the Empower business units.

EUROPE

Net earnings in the three-month period ended March 31, 2023 decreased by $504 million to $40 million, compared with the corresponding quarter in 2022. Adjusted net earnings in the three-month period ended March 31, 2023 were $178 million, an increase of $2 million compared with the corresponding quarter in 2022, primarily due to:

- Favourable insurance and annuity results in the U.K. driven by a favourable reinsurance settlement gain as well as favourable impact of changes to certain tax estimates.
- Partially offset by less favourable insurance and annuity results in Ireland as a result of higher mortality claims experience.

Adjusted net earnings in the three-month period ended March 31, 2023 excluded Adjustments of negative $138 million, compared with Adjustments of positive $368 million in the corresponding quarter in 2022. The decrease in Adjustments was primarily due to the Insurance & Annuities business unit as a result of negative returns on non-fixed income assets and declining risk-free interest rates in the three-month period ended March 31, 2023, compared with positive contributions from higher than expected non-fixed income asset returns and rising interest rates in the corresponding quarter in 2022.

CAPITAL AND RISK SOLUTIONS

Net earnings in the three-month period ended March 31, 2023 decreased by $50 million to $184 million, compared with the corresponding quarter in 2022. Adjusted net earnings in the three-month period ended March 31, 2023 were $157 million, a decrease of $14 million compared with the corresponding quarter in 2022, primarily due to:

- Unfavourable mortality experience in the U.S. life business.
- Partially offset by growth in the structured business and improved property catastrophe product margins.

Adjusted net earnings in the three-month period ended March 31, 2023 excluded Adjustments of positive $27 million, compared with positive $63 million in the corresponding quarter in 2022, driven by lower than expected net investment results as a result of declining interest rates in 2023, compared with rising interest rates in the corresponding quarter in 2022 and inflation impacts.

ADJUSTMENTS

Adjustments are items excluded from net earnings in the determination of adjusted net earnings by Lifeco's management. Refer to the further discussion above in each of Lifeco's operating segments.

In the first quarter of 2023, Adjustments with a negative earnings impact of $213 million after tax consist of:

- Market experience losses of $168 million after tax ($209 million pre-tax);
- Restructuring and integration costs of $19 million after tax ($26 million pre-tax) in the United States segment; and
- Amortization of acquisition-related finite life intangibles of $33 million after tax ($45 million pre-tax).

Partially offset by:

- Positive earnings impact from assumption changes and management actions of $7 million after tax ($9 million pre-tax).

In the first quarter of 2022, Adjustments with a positive earnings impact of $622 million after tax consisted of:

- Market experience gains of $686 million after tax ($864 million pre-tax).

Partially offset by:

- Negative earnings impact from assumption changes and management actions of $18 million after tax ($19 million pre-tax);
- Restructuring and integration costs of $12 million after tax ($17 million pre-tax) in the United States segment;
- Transaction costs of $7 million after tax ($8 million pre-tax) related to the acquisition of the full-service retirement business of Prudential, as well as acquisitions in the Europe segment; and
- Amortization of acquisition-related finite life intangibles of $27 million after tax ($35 million pre-tax).

In the fourth quarter of 2022, Adjustments with a negative earnings impact of $417 million after tax consisted of:

- Market experience losses of $386 million after tax ($393 million pre-tax);
- Negative earnings impact from assumption changes and management actions of $29 million after tax ($46 million pre-tax);
- Restructuring and integration costs of $32 million after tax ($43 million pre-tax) in the United States segment;
- Transaction costs of $5 million after tax ($5 million pre-tax) related to acquisitions in the Europe segment; and
- Amortization of acquisition-related finite life intangibles of $28 million after tax ($37 million pre-tax).

Partially offset by:

- A positive impact from tax legislative changes of $63 million.

The information above has been derived from Lifeco's interim and most recent Annual MD&A; see Part B of this MD&A for additional information on Lifeco's interim results. Lifeco's interim and most recent Annual MD&A are available under its profile on SEDAR (www.sedar.com).

IGM FINANCIAL

Contribution to Power Corporation

Three months ended	March 31, 2023	December 31, 2022 (restated)	March 31, 2022 (restated)
Contribution to Power Corporation's [1]:			
Adjusted net earnings			
As reported by IGM	128	140	135
Effect of consolidation [2]	(5)	(9)	–
	123	131	135
Adjustments			
As reported by IGM	109	–	–
Effect of consolidation [3]	(111)	(11)	15
	(2)	(11)	15
Net earnings	121	120	150

[1] Power Financial's average direct ownership in IGM was 62.2% for the quarter ended March 31, 2023 (61.7% in the corresponding period in 2022).

[2] The Effect of consolidation includes the elimination of intercompany transactions, the application of the Corporation's accounting method for investments under common control including an allocation of the results of the fintech portfolio and reflected adjustments in accordance with IAS 39 for comparative periods presented prior to the Corporation's adoption of IFRS 9 on January 1, 2023. The Effect of consolidation in the comparative periods has been restated for the application of IFRS 17.

[3] Refer to the section "Adjustments" below for details of Effect of consolidation.

Adjusted and net earnings per share as reported by IGM

Three months ended	March 31, 2023	December 31, 2022	March 31, 2022
Adjusted net earnings per share [1, 2]	0.87	0.94	0.91
Adjustments [3, 4]	0.73	–	–
Net earnings per share [1]	1.60	0.94	0.91

[1] Available to IGM common shareholders.

[2] Adjusted net earnings per share is a non-IFRS ratio; refer to Part C of this MD&A.

[3] See the section "Adjustments" below.

[4] Described as "Other items" by IGM; refer to Part C of this MD&A.

Contribution to adjusted net earnings by segments and net earnings as reported by IGM

Three months ended	March 31, 2023	December 31, 2022	March 31, 2022
Wealth Management [1]	107	108	121
Asset Management [1]	48	51	52
Strategic Investments and Other [1]	51	66	46
Adjusted net earnings [2, 3]	206	225	219
Adjustments [3, 4]	175	–	–
Net earnings [2]	381	225	219

[1] Debt and interest expense is allocated to each segment based on IGM's assessment of: i) capacity to service the debt, and ii) where the debt is being serviced.

[2] Available to IGM common shareholders.

[3] Adjusted net earnings is a non-IFRS financial measure; refer to Part C of this MD&A for additional details including a definition and reconciliation. IGM does not allocate Adjustments to segments.

[4] Described as "Other items" by IGM; refer to Part C of this MD&A.

Q1 2023 vs. Q1 2022 and Q4 2022
Net earnings $381 million or $1.60 per share, compared with $219 million or $0.91 per share in the corresponding period in 2022, an increase of 75.8% on a per share basis, and $225 million or $0.94 per share in the fourth quarter of 2022. Net earnings in the first quarter of 2023 include IGM's gain of $175 million recognized on the sale of a portion of its interest in Lifeco to the Corporation. The Corporation has eliminated this gain on consolidation.
Adjusted net earnings $206 million or $0.87 per share, compared with $219 million or $0.91 per share in the corresponding period in 2022, a decrease of 4.4% on a per share basis, and $225 million or $0.94 per share in the fourth quarter of 2022.

On January 1, 2018, IGM adopted IFRS 9, *Financial Instruments*. Power Corporation deferred the adoption of IFRS 9 to January 1, 2023. The contribution to Power Corporation for comparative periods presented prior to the Corporation's adoption on January 1, 2023 includes adjustments to reverse the impact of the application of IFRS 9 by IGM.

Adjusted net earnings exclude Adjustments of a positive earnings impact of $175 million in the three-month period ended March 31, 2023. There were no Adjustments in the corresponding quarter in 2022. These Adjustments are not allocated to segments. The following is a summary of each segment's net earnings:

WEALTH MANAGEMENT

Net earnings decreased by $14 million to $107 million in the three-month period ended March 31, 2023, compared with the corresponding quarter in 2022. Net earnings of Wealth Management includes $3 million of net earnings of IPC, which IGM has presented as discontinued operations. The decrease in net earnings is mainly related to a decrease in net earnings of IG Wealth Management of $13 million, primarily due to:

- A decrease in other financial planning revenues of $14 million to $26 million, primarily due to lower earnings from mortgage banking operations and lower revenues from the distribution of insurance products;
- A decrease in income from product and program fees of $9 million to $219 million, primarily due to the decrease in average assets under management of 3.8%. The average product and program fee rate for the three-month period was 85.8 basis points of average assets under management, compared with 86.0 basis points in 2022, reflecting price reductions in certain funds and changes in product mix; and
- A decrease in income from advisory fees of $2 million to $291 million, primarily due to the decrease in average assets under advisement of 1.4%, partially offset by an increase in the advisory fee rate. The average advisory fee rate for the three-month period was 102.8 basis points of average assets under advisement, compared with 101.9 basis points in 2022.

Partially offset by:

- An increase in net investment income and other of $4 million to $3 million. Net investment income and other primarily consists of unrealized gains or losses on investments in proprietary funds in the first quarter, and investment income earned on cash and cash equivalents and securities and other income not related to IG Wealth Management's core business. It also includes a charge from the Strategic Investments and Other segment for the use of unallocated capital;
- A decrease in sub-advisory expenses of $2 million to $43 million, primarily due to lower assets under management;
- A decrease in advisory and business development expenses of $2 million to $223 million in the three-month period which includes compensation paid to advisors, the majority of which varies directly with assets or sales levels. Other advisory and business development expenses decreased by $7 million to $57 million in the three-month period, primarily due to decreases in other advisor program expenses and distribution of insurance products, partially offset by an increase in asset-based and sales-based compensation. Asset-based compensation increased by $1 million to $144 million, primarily due to deferred selling commission units maturing and other compensation changes partially offset by a decline in assets under advisement. Sales-based compensation payments are based upon the level of new assets contributed to client accounts and are capitalized and amortized as they reflect incremental costs to obtain a client contract. Sales-based compensation increased by $4 million to $22 million; and
- A decrease in income taxes of $4 million to $38 million.

ASSET MANAGEMENT

The Asset Management segment includes the fees received from IGM's mutual funds, Wealth Management segment and third parties for investment management services.

Net earnings decreased by $4 million to $48 million in the three-month period ended March 31, 2023, compared with the corresponding quarter in 2022, primarily due to:

- A decrease in net asset management fees, which is asset management fees offset by dealer compensation expenses, of $11 million to $183 million, mainly due to a decrease in net asset management fees – third party of $10 million, due to a 7.9% decrease in average assets under management, offset by an increase in the net asset management fee rate. Mackenzie's net asset management fee rate was 54.2 basis points for the three months ended March 31, 2023, compared with 53.2 basis points in 2022. The increase in rate was mainly driven by lower selling commissions. Management fees – Wealth Management decreased by $1 million to $28 million. The decrease in management fees was primarily due to a 4.4% decrease in average assets under management. Mackenzie's management fee rate was 15.1 basis points for the three months ended March 31, 2023, compared with 14.7 basis points in 2022; and
- An increase in expenses of $2 million to $116 million, primarily due to an increase in advisory and business development expenses of $3 million in the three-month period, partially offset by a decrease in operations and support expenses of $1 million. Advisory and business development expenses primarily include wholesale distribution activities which vary directly with assets or sales levels. Operations and support expenses includes costs associated with business operations, including technology and business processes, in-house investment management and product shelf management, corporate management and support functions. These expenses primarily reflect compensation, technology and other service provider expenses.
- Partially offset by an increase in net investment income and other of $7 million to $5 million. Net investment income and other primarily includes investment returns related to Mackenzie's investments in proprietary funds, which are generally made in the process of launching a fund and are sold as third-party investors subscribe.

ASSETS UNDER MANAGEMENT AND ADVISEMENT

Assets under advisement (AUA) are a key performance indicator for the Wealth Management segment.

Assets under management (AUM) are the key driver of the Asset Management segment and a secondary driver of revenues and expenses within the Wealth Management segment in relation to its investment management activities. Refer to the section "Other Measures" for a definition of AUM and AUA.

Total assets under management and advisement were as follows:

(In billions of dollars)	March 31, 2023	December 31, 2022	March 31, 2022	December 31, 2021
Wealth Management				
Assets under management	108.9	103.9	112.4	116.2
Other assets under advisement	37.9	36.5	35.6	36.4
Assets under advisement	146.8	140.4	148.0	152.6
Asset Management				
Third-party assets under management	117.0	113.1	124.7	129.1
Sub-advisory to Wealth Management	76.8	73.5	80.8	81.2
Assets under management	193.8	186.6	205.5	210.3
Consolidated [1]				
Assets under management	225.9	217.0	237.1	245.3
Other assets under advisement [2]	34.5	32.4	31.2	31.8
Total assets under management and advisement [2]	260.4	249.4	268.3	277.1

[1] Represents the consolidated assets under management and advisement of IGM. In the Wealth Management segment, assets under management is a component part of assets under advisement. All instances where the Asset Management segment is providing investment management services or distributing its products through the Wealth Management segment are eliminated in IGM's reporting such that there is no double counting of the same client savings held at IGM's operating companies.

[2] Includes adjustment representing the elimination of double counting where business is reflected within multiple segments.

Total average assets under management and advisement were as follows:

(In billions of dollars)	2023 Q1	Q4	Q3	Q2	2022 Q1
Wealth Management					
Assets under advisement	145.2	139.2	137.8	141.0	148.3
Assets under management	108.1	103.9	103.9	106.7	112.7
Asset Management					
Third-party assets under management	115.7	112.6	113.4	118.5	125.7
Total assets under management	192.0	186.3	187.3	195.5	205.5
Consolidated [1]					
Assets under management	223.8	216.5	217.3	225.2	238.4
Assets under management and advisement [2]	257.6	247.8	247.2	255.3	269.5

[1] Represents the consolidated assets under management and advisement of IGM. All instances where the Asset Management segment is providing investment management services or distributing its products through the Wealth Management segment are eliminated in IGM's reporting such that there is no double counting of the same client savings held at IGM's operating companies.

[2] Includes adjustment representing the elimination of double counting where business is reflected within multiple segments.

ADJUSTMENTS

Adjustments are items excluded from net earnings in the determination of adjusted net earnings by IGM's management.

In the first quarter of 2023, adjusted net earnings excludes a positive impact of $175 million after tax ($179 million pre-tax) related to IGM's sale of a portion of its investment in Lifeco to the Corporation. The Corporation has not included the amount of the gain on the sale of Lifeco in its Adjustments as this gain was eliminated on consolidation. There were no Adjustments reported by IGM in the first and fourth quarters of 2022.

The information above has been derived from IGM's interim and most recent Annual MD&A; see Part C of this MD&A for additional information on IGM's interim results. IGM's interim and most recent Annual MD&A are available under its profile on SEDAR (www.sedar.com).

GBL

Contribution to Power Corporation

Three months ended (in millions of Canadian dollars)	March 31, 2023	December 31, 2022	March 31, 2022
Contribution to Power Corporation's net earnings [1]:			
As reported by GBL	19	(24)	(29)
Effect of consolidation [2]	–	72	43
Net earnings (loss)	19	48	14

[1] Power Financial's average indirect ownership in GBL was 14.9% for the quarter ended March 31, 2023 (14.6% in the corresponding period in 2022).

[2] The Corporation adopted IFRS 9 on January 1, 2023. The contribution to the Corporation prior to January 1, 2023 includes an adjustment to account for GBL under IAS 39 as described below.

Contribution to net earnings (loss) as reported by GBL

Three months ended (In millions of euros)	March 31, 2023	December 31, 2022	March 31, 2022
Share of earnings (loss) of associates and consolidated operating companies of:			
Imerys	56	24	40
Webhelp	10	12	13
Canyon	1	(3)	8
Sanoptis	7	(6)	–
Affidea	(3)	7	–
Parques Reunidos/Piolin II	(27)	(22)	(17)
GBL Capital and Sienna Investment Managers	(1)	–	10
	43	12	54
Net dividends from investments:			
SGS	118	–	110
Pernod Ricard	–	51	–
MOWI	1	3	5
	119	54	115
Interest income (expenses)	(9)	(9)	(7)
Other financial income (expenses)	(8)	(99)	(198)
Other operating income (expenses)	(67)	(57)	(86)
Gains (losses) from disposals, impairments and reversals of non-current assets	(1)	(15)	(5)
Taxes	–	2	1
Net earnings (loss) [1, 2]	77	(112)	(126)

[1] Described as "IFRS consolidated net result" in GBL's publicly disclosed information.

[2] Attributable to GBL shareholders.

Q1 2023 vs. Q1 2022 and Q4 2022

Net earnings (loss)

Net earnings of €77 million, compared with a net loss of €126 million in the corresponding period in 2022, and a net loss of €112 million in the fourth quarter of 2022.

IAS 39 adjustments to the contribution of GBL

On January 1, 2018, GBL adopted IFRS 9, *Financial Instruments*. Power Corporation deferred the adoption of IFRS 9 to January 1, 2023, and applied IFRS 9 on a prospective basis. The Corporation has classified the investments held by GBL consistent with GBL's IFRS 9 classification. GBL has classified its investments in public entities and Voodoo as fair value through other comprehensive income (FVOCI), an elective classification for equity instruments in which all fair value changes remain permanently in equity.

The investments in alternative funds and direct private equity co-investments are classified as fair value through profit or loss (FVPL). The transition requirements of IFRS 9 require that all unrealized gains and losses on investments previously classified as available for sale remain permanently in equity. Subsequent changes in fair value are recorded in earnings.

The following table presents adjustments to the contribution of GBL to Power Corporation's earnings in accordance with IAS 39 for the comparative periods presented prior to the Corporation's adoption of IFRS 9 on January 1, 2023:

Three months ended (in millions of Canadian dollars)	December 31, 2022	March 31, 2022
Partial disposal of interest in Pernod Ricard [1]	67	–
Impairment charges on listed investments [2]	–	(1)
Disposal of alternative funds and other [3]	3	11
Reversal of unrealized (gains) losses on alternative funds and other [4]	2	33
Total	72	43

[1] During the fourth quarter of 2022, a portion of the investment in Pernod Ricard was disposed of, resulting in a gain. The gain was not reflected in GBL's earnings as the investment is classified as FVOCI. Power Corporation's share was $67 million and included a recovery from the reversal of a previous impairment.

[2] Under IFRS 9, GBL classifies the majority of its investments in public entities as FVOCI, and as a result impairment charges are not recognized in earnings. The investment in Ontex has been previously impaired, resulting in an adjusted cost of €6.99 per share. During the first quarter of 2022, the share price decreased to €6.63, resulting in an impairment charge. The Corporation's share was $1 million.

[3] During the first and fourth quarters of 2022, investments held through alternative funds and other investments, classified as FVPL in accordance with IFRS 9, were disposed of, resulting in realized gains. Power Corporation's share of the realized gains in accordance with IAS 39 was $11 million in the first quarter, and $3 million in the fourth quarter of 2022.

[4] GBL classifies investments in alternative funds as FVPL in accordance with IFRS 9, and recognized unrealized changes in fair value in earnings. Power Corporation did not recognize these unrealized fair value changes in earnings as it continued to classify these investments as available for sale in accordance with IAS 39.

GBL's earnings includes dividends from its non-consolidated publicly listed investments, which are usually declared as follows:

- Holcim (second quarter)
- SGS (first quarter)
- adidas (second quarter)
- Umicore (second and third quarters)
- Pernod Ricard (second and fourth quarters)
- GEA (second quarter)

RESULTS

For the three-month period ended March 31, 2023, net earnings were €77 million, compared with a net loss of €126 million in the corresponding quarter in 2022. The increase in net earnings was mainly due to:

- A decrease in other financial expenses of €190 million to €8 million in the three-month period ended March 31, 2023, compared with financial expenses of €198 million in the corresponding quarter in 2022. Other financial expenses in the first quarter of 2023 include a loss of €12 million on marking to market derivatives on convertible and exchangeable bonds issued by GBL and a negative impact of €44 million related to the increase in the liability to Webhelp's minority shareholders, including the effect of discounting. In the corresponding quarter in 2022, other financial expenses in the first quarter included a gain of €72 million on marking to market derivatives on convertible and exchangeable bonds issued by GBL and a negative impact of €134 million related to the increase in the liability to Webhelp's minority shareholders. As well, in the three-month period ended March 31, 2023, GBL recognized a net increase in the fair value of GBL Capital's alternative funds and direct private equity co-investments not consolidated or accounted for using the equity method of €33 million, compared with a net decrease in fair value of €153 million in the corresponding quarter in 2022;
- A decrease in other operating expenses of €19 million to €67 million. The increase in liabilities recorded for Webhelp's employee incentive plan was €38 million in the quarter, including the effect of discounting and vesting, compared with an increase in liabilities of €63 million in the corresponding quarter in 2022;
- An increase in the contribution from Imerys to GBL's earnings of €16 million to a contribution to GBL of €56 million, compared with a contribution of €40 million for the corresponding quarter in 2022;
- A positive contribution from Sanoptis to GBL's earnings of €7 million, acquired during the third quarter of 2022;
- An increase in dividends of €4 million to €119 million, mainly due to an increase in the dividend received from SGS as a result of foreign exchange, partially offset by a decrease in dividends received from Mowi due to a decrease in GBL's interest; and
- A decrease in the negative contribution from gains (losses) from disposals, impairments and reversals of non-current assets of €4 million to a negative contribution to GBL of €1 million, compared with a net loss of €5 million in the corresponding quarter in 2022.

Partially offset by:

- A decrease in the contribution from investments consolidated or accounted for using the equity method by GBL Capital and Sienna Investment Managers of €11 million to a negative contribution to GBL's earnings of €1 million, compared with a positive contribution of €10 million for the three-month period of 2022;
- A decrease in the contribution from Piolin II S.à.r.l. to GBL's earnings of €10 million to a negative contribution to GBL of €27 million, compared with a negative contribution of €17 million for the three-month period of 2022;
- A decrease of €7 million in the contribution from Canyon to GBL's earnings to a contribution to GBL of €1 million;
- A decrease in GBL's share in the net result of Webhelp of €3 million, to a contribution to GBL of €10 million; and
- A negative contribution from Affidea, to GBL's earnings of €3 million, acquired during the third quarter of 2022.

AVERAGE EXCHANGE RATES

The average exchange rates for the three-month periods ended March 31, 2023 and 2022 were as follows:

	March 31, 2023	March 31, 2022	Change %
Euro/CAD	1.452	1.420	2.2

The information above has been derived from GBL's publicly disclosed financial information, as issued by GBL in its first quarter of 2023 press release. Further information on GBL's results is available on its website (www.gbl.be).

SAGARD AND POWER SUSTAINABLE

Sagard and Power Sustainable comprise the results of the investment platforms, which includes income earned from asset management and investing activities. Asset management activities includes fee-related earnings (a non-IFRS financial measure, refer to the section "Non-IFRS Financial Measures"), which is comprised of management fees less investment platform expenses. Asset management activities also includes carried interest and income from other management activities. Investing activities comprises income earned on the capital invested by the Corporation (proprietary capital) in the investment funds managed by each platform and the share of earnings (losses) of controlled and consolidated subsidiaries held within the investment platforms.

Refer to the section "Alternative Asset Investment Platforms" for details and discussion related to the assets under management and fee-bearing capital of Sagard and Power Sustainable.

Income earned from investing activities (proprietary capital) is volatile in nature as it depends on many factors, including and primarily related to the timing of realizations.

Contribution to Power Corporation

Summary of Adjusted and net earnings (loss) from Sagard and Power Sustainable:

Three months ended	March 31, 2023	December 31, 2022	March 31, 2022
Contribution to Power Corporation's:			
Adjusted net earnings (loss)			
Asset management activities			
Sagard	(10)	(10)	(14)
Power Sustainable [1]	(12)	3	(12)
Investing activities (proprietary capital)			
Sagard	(1)	(13)	14
Power Sustainable [1]	(65)	(163)	(69)
	(88)	(183)	(81)
Adjustments			
Power Sustainable	–	–	(10)
Net earnings (loss)	(88)	(183)	(91)

[1] In the second quarter of 2022, the presentation of Power Sustainable's asset management activities was modified to separate certain activities provided by Potentia and Nautilus on behalf of PSEIP from its management activities. As well, an allocation of certain expenses is included in the Corporation's other investing activities. The comparative information has been restated to reflect these changes.

ASSET MANAGEMENT ACTIVITIES

Summary of the composition of net earnings (loss) from asset management activities:

Three months ended	March 31, 2023	December 31, 2022	March 31, 2022
Sagard			
Management fees [1]	45	45	34
Investment platform expenses	(47)	(50)	(36)
Fee-related earnings [2]	(2)	(5)	(2)
Net carried interest [3, 4]	(2)	(6)	(11)
Other [2]	(5)	(1)	(1)
	(9)	(12)	(14)
Loss from private wealth platform and other asset management activities [5]	(2)	(1)	(3)
Non-controlling interests [6]	1	3	3
	(10)	(10)	(14)
Power Sustainable			
Management fees [1]	6	7	4
Investment platform expenses	(19)	(19)	(14)
Fee-related earnings [2]	(13)	(12)	(10)
Net performance fees and carried interest [3, 7]	6	19	–
Other [2, 8]	(5)	(4)	(2)
	(12)	3	(12)
Net earnings (loss)	(22)	(7)	(26)

[1] Includes management fees charged by the investment platform on proprietary capital and management of standalone businesses. Management fees paid by the Corporation are deducted from income from investing activities. In the first quarter of 2023, Sagard recognized a retroactive adjustment for management fees of $6 million related to new capital committed in the final close of Sagard NewGen.

[2] Fee-related earnings is a non-IFRS financial measure. Items excluded from fee-related earnings have been included in Other. Refer to the section "Non-IFRS Financial Measures" for a description and reconciliation. The comparative amounts have been restated in accordance with this presentation.

[3] Net carried interest is comprised of carried interest earned, net of employee costs which are recognized over the vesting period. Carried interest is recognized based on changes in fair value of investments held within each consolidated fund, and based on carried interest earned when it is highly probable that a significant reversal will not occur with respect to unconsolidated funds. The Corporation's share of carried interest expense payable by the fund is included in investing activities.

[4] The first quarter of 2022 included a reversal of net carried interest of $13 million, due to a decrease in the fair value of Wealthsimple in the period.

[5] Includes the Corporation's share of earnings (losses) from Sagard's private wealth investment platform and other asset management activities.

[6] Non-controlling interests include equity interests held in SHMI by Lifeco and management of Sagard.

[7] The first quarter of 2023 and the fourth quarter of 2022 included net carried interest of $6 million and $17 million, respectively, as a result of the increase in the net asset value of PSEIP. The fourth quarter of 2022 also included a reversal of performance fee payable due to a decline in value of investments within Power Sustainable China.

[8] Other includes development and asset management activities provided by Potentia and Nautilus on behalf of PSEIP.

INVESTING ACTIVITIES

Summary of adjusted and net earnings (loss) from investing activities (proprietary capital):

Three months ended	March 31, 2023	December 31, 2022	March 31, 2022
Adjusted net earnings (loss)			
Sagard			
Private equity and other strategies	9	(4)	13
Venture capital (fintech investments) [1]	(10)	(9)	1
Power Sustainable			
Public equity [2]	(2)	(55)	(70)
Energy infrastructure			
Earnings (losses) before changes in non-controlling interests liabilities [3]	(30)	(45)	1
Revaluation of non-controlling interests liabilities [4]	(33)	(63)	–
	(66)	(176)	(55)
Adjustments			
Impairment charges on direct investments in energy infrastructure	–	–	(10)
Net earnings (loss)	(66)	(176)	(65)

[1] Includes the Corporation's share of earnings (losses) of Wealthsimple. The first quarter of 2022 included a reversal of carried interest payable of $13 million, due to a decrease in the fair value of Wealthsimple in the quarter. The net decrease in fair value of the Corporation's investments, including its investments held through Power Financial in Portage Ventures I, Portage Ventures II, Portage Ventures III and Wealthsimple, was $6 million in the three-month period ended March 31, 2023, compared with a decrease of $143 million in fair value in the corresponding period in 2022.

[2] On adoption of IFRS 9 on January 1, 2023, the Corporation has classified its investments in Chinese public equities as FVOCI, an elective classification for equity instruments in which all fair value changes remain permanently in equity. Going forward, the contribution from investing activities will consist of dividend income and management and performance fee expenses. In 2022, the Corporation recognized realized losses on the disposal of investments in Power Sustainable China of $54 million and $55 million in the first and fourth quarters, respectively, and $13 million in impairments recorded in the first quarter due to declines in Chinese equity markets.

[3] The first quarter of 2023 includes the Corporation's share of carried interest expense of $9 million, which resulted from an increase in fair value of assets held in PSEIP and operating losses mainly related to seasonality. The fourth quarter of 2022 included the Corporation's share of carried interest expense of $19 million, which resulted from an increase in fair value of assets held in PSEIP and operating losses mainly related to seasonality, partially offset by unrealized gains on derivative contracts hedging energy infrastructure projects of $10 million. The first quarter of 2022 included a gain on derivative contracts hedging energy infrastructure projects of $12 million, and excluded a charge of $10 million due to impairments on direct investments in energy infrastructure assets, recorded as an Adjustment (see the section "Adjustments" below).

[4] The first quarter of 2023 includes a charge of $33 million ($63 million in the fourth quarter of 2022) related to the Corporation's share of the revaluation of non-controlling interests liabilities which mainly resulted from an increase in fair value of assets held in PSEIP. The Corporation controls and consolidates the activities of PSEIP on a historical cost basis; however, equity interests held by third parties have redemption features and are classified as a financial liability, which are remeasured at their redemption value.

Adjustments (excluded from adjusted net earnings)

POWER SUSTAINABLE

For the three-month period ended March 31, 2022, Power Sustainable recognized an impairment of $10 million on projects under construction which are included in direct investments in energy infrastructure within the Power Sustainable platform.

OTHER INVESTMENTS AND STANDALONE BUSINESSES

Other investments and standalone businesses includes the Corporation's investments in investment and hedge funds and the share of earnings (losses) of standalone businesses.

Income earned from other investments is volatile in nature as it depends on many factors, including and primarily related to realizations.

Summary of other investments and standalone businesses:

Three months ended	March 31, 2023	December 31, 2022	March 31, 2022
Other investments			
Investment and hedge funds	–	15	2
Other [1]	21	5	(7)
Standalone businesses [2]	(5)	(102)	4
Net earnings (loss)	16	(82)	(1)

[1] Consists mainly of foreign exchange gains or losses and interest on cash and cash equivalents.

[2] Includes the Corporation's share of earnings (losses) of Lion, LMPG, and Peak. The fourth quarter of 2022 included a non-cash impairment charge of $109 million after tax ($126 million pre-tax) reflecting a decline in the market value of Lion at December 31, 2022.

For the three-month period ended March 31, 2023, net earnings from other investments and standalone businesses was $16 million, compared with a net loss of $1 million in the corresponding quarter in 2022. Standalone businesses had a net loss of $5 million, compared with net earnings of $4 million in the corresponding quarter in 2022.

The Corporation holds an investment in Bellus Health Inc., a Canada-based late-stage biopharmaceutical company. The investment is accounted for as an associate using the equity method, with a carrying value of nil at March 31, 2023. On April 18, 2023, subsequent to quarter-end, Bellus announced an agreement in which it will be acquired by GSK Inc. for US$14.75 per share in cash. The Corporation expects to receive proceeds of approximately US$73 million. The transaction is subject to customary closing conditions including shareholder and regulatory approvals, and is expected to close in the third quarter of 2023.

CORPORATE OPERATIONS (OF THE HOLDING COMPANY)

Corporate operations include operating expenses, financing charges, depreciation and income taxes.

Operating and other expenses

Summary of corporate operating and other expenses of the Corporation and Power Financial shown on a combined basis:

Three months ended	March 31, 2023	December 31, 2022	March 31, 2022
Operating expenses [1]	35	32	36
Financing charges [2]	14	14	14
Depreciation	2	2	1
Income taxes	–	1	5
	51	49	56

[1] During the second quarter of 2022, the Corporation attached tandem share appreciation rights to certain options, which were reclassified as cash-settled share-based payments. The Corporation has entered into a total return swap agreement to manage exposure to the volatility of a portion of its cash-settled share-based payments and related liability. The first quarter of 2023 includes a net loss of $4 million arising from the change in fair value of the liability, net of the gain on the remeasurement to fair value of the derivative instrument (net gain of $1 million in the fourth quarter of 2022).

[2] Financing charges related to Power Financial were $4 million in the three-month period ended March 31, 2023, same as in 2022.

ADJUSTMENTS (EXCLUDED FROM ADJUSTED NET EARNINGS)

The following table presents the Corporation's share of Adjustments:

Three months ended	March 31, 2023	December 31, 2022 (restated)	March 31, 2022 (restated)
Lifeco [1]			
Market experience gains and losses	(114)	(257)	457
Assumption changes and management actions	5	(19)	(12)
Transaction costs related to acquisitions	–	(4)	(5)
Restructuring and integration costs	(13)	(21)	(8)
Tax legislative changes impact	–	42	–
Amortization of acquisition-related finite life intangibles	(23)	(19)	(18)
	(145)	(278)	414
Effect of consolidation [2]	–	–	1
	(145)	(278)	415
IGM [1]			
Gain on disposal of Lifeco shares	109	–	–
Effect of consolidation [2]	(111)	(11)	15
	(2)	(11)	15
ChinaAMC			
Transaction costs on disposal of ChinaAMC	(14)	–	–
Income taxes on disposal of ChinaAMC	(40)	–	–
	(54)	–	–
Sagard and Power Sustainable			
Impairment charges on direct investments in energy infrastructure	–	–	(10)
	(201)	(289)	420

[1] As reported by Lifeco and IGM.

[2] The Effect of consolidation reflects i) the elimination of intercompany transactions, including the gain recognized by IGM on the sale of a portion of its interest in Lifeco to the Corporation in the first quarter of 2023; ii) the application of the Corporation's accounting method for investments under common control to the Adjustments reported by Lifeco and IGM; iii) IGM's share of Lifeco's Adjustments, in accordance with the Corporation's definition of Adjusted net earnings; and iv) adjustments in accordance with IAS 39 for IGM for comparative periods prior to the Corporation's adoption of IFRS 9 on January 1, 2023.

ChinaAMC

On January 12, 2023, the Corporation and IGM completed a transaction in which the group's interest in ChinaAMC was combined under IGM. The Corporation sold its 13.9% interest in ChinaAMC to IGM. As the Power group continues to hold a 27.8% interest in ChinaAMC, the Corporation did not record a gain on the disposal of its interest. As a result of the transaction, the Corporation incurred transaction costs of $14 million and income taxes of $40 million. The Corporation has recorded these amounts as an Adjustment.

For additional information on each of Lifeco, IGM and Sagard and Power Sustainable, refer to their respective "Adjustments" sections above. Also refer to the section "Non-IFRS Financial Measures" in this MD&A.

Financial Position

CONSOLIDATED BALANCE SHEETS (CONDENSED)

The condensed balance sheets of Lifeco, IGM, and the combined holding company balance sheet of Power Corporation and Power Financial, as well as the alternative asset investment platforms and other, are presented below. These tables reconcile the holding company balance sheet with the condensed consolidated balance sheets of the Corporation at March 31, 2023 and December 31, 2022, which are included in Note 23 of the Interim Consolidated Financial Statements.

						March 31, 2023
	Lifeco	IGM	Holding company	Alternative Asset Investment Platforms and Other [1]	Effect of consolidation	Power Corporation Consolidated balance sheet
Assets						
Cash and cash equivalents	6,666	547	1,663	506	(454)	8,928
Investments	218,551	5,071	174	2,068	312	226,176
Investments in publicly traded operating companies, investment platforms and other:						
Lifeco and IGM	377	571	18,588	–	(19,536)	–
GBL [2]	–	–	3,582	–	–	3,582
Other	321	596	2,557	–	(3,474)	–
Investments in jointly controlled corporations and associates	283	2,224	–	1,140	(407)	3,240
Insurance contract assets	1,158	–	–	–	–	1,158
Reinsurance contract held assets	17,601	–	–	–	–	17,601
Other assets	24,904	5,823	261	5,123	(159)	35,952
Intangible assets [3]	6,223	1,363	2	839	(32)	8,395
Goodwill [3]	10,623	2,802	–	620	613	14,658
Investments on account of segregated fund policyholders	405,146	–	–	–	–	405,146
Total assets	691,853	18,997	26,827	10,296	(23,137)	724,836
Liabilities						
Insurance contract liabilities	138,765	–	–	–	–	138,765
Investment contract liabilities	94,612	–	–	–	–	94,612
Reinsurance contract held liabilities	549	–	–	–	–	549
Obligations to securitization entities	–	4,573	–	–	–	4,573
Power Corporation's debentures and other debt instruments	–	–	647	–	–	647
Non-recourse debentures and other debt instruments [4]	10,311	2,100	250	2,374	(88)	14,947
Other liabilities	13,433	5,941	960	4,607	(287)	24,654
Insurance contracts on account of segregated fund policyholders	59,435	–	–	–	–	59,435
Investment contracts on account of segregated fund policyholders	345,711	–	–	–	–	345,711
Total liabilities	662,816	12,614	1,857	6,981	(375)	683,893
Equity						
Limited recourse capital notes	1,500	–	–	–	(1,500)	–
Perpetual preferred shares	2,720	–	2,830	–	(5,550)	–
Non-participating shares	–	–	950	–	–	950
Participating shareholders' equity	21,849	6,326	21,190	2,922	(31,097)	21,190
Non-controlling interests [5, 6]	2,968	57	–	393	15,385	18,803
Total equity	29,037	6,383	24,970	3,315	(22,762)	40,943
Total liabilities and equity	691,853	18,997	26,827	10,296	(23,137)	724,836

[1] Includes consolidated investment funds and their controlled investments, Wealthsimple and standalone businesses.

[2] Indirectly held through Parjointco. The holding company balance sheet includes the Corporation's investment in GBL, which is separately presented in Note 23 of the Interim Consolidated Financial Statements.

[3] The assets of Lifeco, IGM, and Alternative Asset Investment Platforms and Other exclude the corporate allocation of goodwill and intangible assets.

[4] The debentures and other debt instruments of controlled and consolidated investments are secured by their assets which are non-recourse to the Corporation.

[5] Lifeco's non-controlling interests include the Participating Account surplus in subsidiaries.

[6] Non-controlling interests in Effect of consolidation represent non-controlling interests in the equity of Lifeco, IGM and controlled and consolidated investments.

						December 31, 2022 (restated)
	Lifeco	IGM	Holding company	Alternative Asset Investment Platforms and Other [1]	Effect of consolidation	Power Corporation Consolidated balance sheet
Assets						
Cash and cash equivalents	7,290	1,073	1,277	493	(285)	9,848
Investments	215,024	5,199	194	1,976	152	222,545
Investments in publicly traded operating companies, investment platforms and other:						
Lifeco and IGM	375	940	18,186	–	(19,501)	–
GBL [2]	–	–	3,314	–	–	3,314
Other	327	596	2,524	–	(3,447)	–
Investments in jointly controlled corporations and associates	207	1,112	783	1,147	(47)	3,202
Insurance contract assets	1,140	–	–	–	–	1,140
Reinsurance contract held assets	17,571	–	–	–	–	17,571
Other assets	25,549	5,652	310	4,664	(209)	35,966
Intangible assets [3]	6,230	1,364	2	751	(31)	8,316
Goodwill [3]	10,611	2,802	–	591	613	14,617
Investments on account of segregated fund policyholders	387, 882	–	–	–	–	387,882
Total assets	672,206	18,738	26,590	9,622	(22,755)	704,401
Liabilities						
Insurance contract liabilities	135,438	–	–	–	–	135,438
Investment contract liabilities	94,810	–	–	–	–	94,810
Reinsurance contract held liabilities	537	–	–	–	–	537
Obligations to securitization entities	–	4,610	–	–	–	4,610
Power Corporation's debentures and other debt instruments	–	–	647	–	–	647
Non-recourse debentures and other debt instruments [4]	10,509	2,100	250	1,956	(88)	14,727
Other liabilities	14,235	5,900	987	4,366	(317)	25,171
Insurance contracts on account of segregated fund policyholders	57,841	–	–	–	–	57,841
Investment contracts on account of segregated fund policyholders	330,041	–	–	–	–	330,041
Total liabilities	643,411	12,610	1,884	6,322	(405)	663,822
Equity						
Limited recourse capital notes	1,500	–	–	–	(1,500)	–
Perpetual preferred shares	–	–	2,830	–	(2,830)	–
Non-participating shares	2,720	–	950	–	(2,720)	950
Participating shareholders' equity	21,689	6,061	20,926	2,895	(30,645)	20,926
Non-controlling interests [5, 6]	2,886	67	–	405	15,345	18,703
Total equity	28,795	6,128	24,706	3,300	(22,350)	40,579
Total liabilities and equity	672,206	18,738	26,590	9,622	(22,755)	704,401

[1] Includes consolidated investment funds and their controlled investments, Wealthsimple and standalone businesses.

[2] Indirectly held through Parjointco. The holding company balance sheet includes the Corporation's investment in GBL, which is separately presented in Note 23 of the Interim Consolidated Financial Statements.

[3] The assets of Lifeco, IGM, and Alternative Asset Investment Platforms and Other exclude the corporate allocation of goodwill and intangible assets.

[4] The debentures and other debt instruments of controlled and consolidated investments are secured by their assets which are non-recourse to the Corporation.

[5] Lifeco's non-controlling interests include the Participating Account surplus in subsidiaries.

[6] Non-controlling interests in Effect of consolidation represent non-controlling interests in the equity of Lifeco, IGM and controlled and consolidated investments.

Transition to IFRS 9

The Corporation and its subsidiaries adopted IFRS 9, *Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement* on its effective date of January 1, 2023. The Corporation elected to present comparative information for certain of its financial assets, primarily those held by Lifeco, as if the classification and measurement requirements of IFRS 9 had been applied in the comparative period (IFRS 9 overlay), as permitted by the amendment to IFRS 17 published by the IASB in December 2021. Differences in asset classification under IAS 39 at December 31, 2022 and IFRS 9 at January 1, 2023 are outlined below.

	Classification	
Financial Assets	IAS 39	IFRS 9
Bonds	Designated as FVPL	Designated as FVPL
	Classified as FVPL	Classified as FVPL
	Available for sale	Classified as FVPL FVOCI Amortized cost
	Loans and receivables	Designated as FVPL FVOCI Amortized cost
Mortgage and other loans	Designated as FVPL	Classified as FVPL
	Available for sale	Classified as FVPL
	Loans and receivables	Designated as FVPL FVOCI Amortized cost
Shares	Designated as FVPL	Classified as FVPL
	Available for sale	Classified as FVPL FVOCI

The transition from IAS 39 to IFRS 9 results in a significantly larger portion of Lifeco's bond and mortgage portfolios being measured at fair value under IFRS 9. Based on January 1, 2023 balances, the transition to IFRS 9 leads to 100% of Lifeco's bond portfolio and 89% of its mortgage portfolio being measured at fair value, compared with 79% and 9%, respectively, under IAS 39, which is expected to result in greater net earnings volatility.

Consolidated assets and liabilities

Total assets of the Corporation increased to $724.8 billion at March 31, 2023, compared with $704.4 billion at December 31, 2022, primarily due to market movement, new business growth as well as the impact of currency movement.

Liabilities increased to $683.9 billion at March 31, 2023, compared with $663.8 billion at December 31, 2022, mainly due to the following, as disclosed by Lifeco:

- Insurance contract liabilities increased by $3.3 billion, primarily due to market movements, partially offset by normal business movements.
- Investment contract liabilities decreased by $0.2 billion, primarily due to normal business movements.
- Investment and insurance contracts on account of segregated fund policyholders increased by $17.3 billion, primarily due to the combined impact of market value gains and investment income of $15.7 billion, the impact of currency movement of $2.0 billion and net deposits of $0.9 billion, partially offset by the negative impact of non-controlling mutual fund interest of $1.3 billion.

Parts B and C of this MD&A include a discussion of the consolidated balance sheets of Lifeco and IGM, respectively.

HOLDING COMPANY BALANCE SHEETS

In the holding company balance sheets shown below, Power Corporation and Power Financial are shown on a combined basis; investments in subsidiaries are presented using the equity method. This presentation assists the reader by identifying changes in the combined holding company balance sheet of Power Corporation and Power Financial, and presents the investment activities, as well as the holding company's assets and liabilities, including cash, debentures and non-participating shares.

	March 31, 2023	December 31, 2022 (restated)
Holding company assets		
Cash and cash equivalents [1]	1,663	1,277
Investment in:		
Lifeco	15,032	14,579
IGM	3,556	3,607
GBL [2]	3,582	3,314
Alternative asset investment platforms [3]	1,882	1,848
ChinaAMC [4]	–	783
Other investments and standalone businesses	849	870
Other assets [5]	263	312
Total holding company assets	26,827	26,590
Holding company liabilities		
Debentures and other debt instruments [6]	897	897
Other liabilities	960	987
Total holding company liabilities	1,857	1,884
Holding company equity		
Perpetual preferred shares [7]	2,830	2,830
Non-participating shares	950	950
Participating shareholders' equity	21,190	20,926
Total holding company equity	24,970	24,706
Total holding company liabilities and equity	26,827	26,590

[1] Cash equivalents include $507 million ($358 million at December 31, 2022) of fixed income securities with maturities of more than three months. In accordance with IFRS, these are classified as investments in the Interim Consolidated Financial Statements.

[2] Indirectly held through Parjointco.

[3] Includes Power Financial's investments in Portage Ventures I, Portage Ventures II and Wealthsimple, presented using the equity method.

[4] On January 12, 2023, the Corporation and IGM completed a transaction in which the group's interest in ChinaAMC was combined under IGM. Refer to the section "ChinaAMC" in the section "Overview".

[5] Includes $83 million of dividends declared in the first quarter by IGM (same as at December 31, 2022) and received by Power Financial on April 28, 2023.

[6] Includes Power Financial's debentures of $250 million at March 31, 2023 (same as at December 31, 2022).

[7] Perpetual preferred shares issued by Power Financial.

Holding Company – Transition to IFRS 9

The following table shows the reconciliation of the investments held by the holding company, not accounted for using the equity method or consolidated, from the original measurement category under IAS 39 to the new measurement category under IFRS 9 on January 1, 2023.

	Classification	
Investments in shares	IAS 39	IFRS 9
Alternative asset investment platforms		
Sagard		
Sagard Private Equity Canada	Classified as FVPL	Classified as FVPL
Sagard MidCap II	Available for sale	Classified as FVPL
Sagard MidCap IV	Available for sale	Classified as FVPL
Sagard Credit Partners	Classified as FVPL	Classified as FVPL
Sagard Credit Partners II	Classified as FVPL	Classified as FVPL
Sagard Healthcare Partners	Classified as FVPL	Classified as FVPL
Power Sustainable		
Power Sustainable China (public equities)	Available for sale	FVOCI [1]
Other investments	Available for sale	Classified as FVPL

[1] The Corporation has classified its investments in China public equities as FVOCI, an elective classification for equity instruments in which all fair value changes will remain permanently in equity.

Cash and cash equivalents

Cash and cash equivalents held by the Corporation and Power Financial amounted to $1,663 million at March 31, 2023, compared with $1,277 million at the end of December 2022 (see “Holding Company Statements of Cash Flows” below for details).

The cash and cash equivalents held by Sagard and Power Sustainable including Power Sustainable China amounted to $178 million at March 31, 2023 ($194 million at December 31, 2022) and are included in the carrying amount of the investment platforms.

Investments

INVESTMENTS IN LIFECO, IGM AND GBL (AT EQUITY)

The tables below present a continuity of the investments in Lifeco, IGM and GBL, which are presented using the equity method for the purposes of the holding company presentation. The carrying value of the investments in Lifeco, IGM and GBL, accounted for using the equity method, increased to $22,170 million at March 31, 2023, compared with $21,500 million at December 31, 2022:

	Lifeco	IGM	GBL [1]	Total
Carrying value, at January 1, 2022 (as disclosed)	15,496	3,434	4,278	23,208
Change in accounting policy [2]	(2,204)	(82)	–	(2,286)
Carrying value, at January 1, 2022 (restated)	13,292	3,352	4,278	20,922
Contribution from adjusted net earnings (loss)	2,159	538	(15)	2,682
Contribution from adjustments	206	16	–	222
Share of other comprehensive income (loss) [3]	88	52	(929)	(789)
Dividends	(1,216)	(333)	(84)	(1,633)
Effect of changes in ownership and other	50	(18)	64	96
Carrying value, at December 31, 2022 (restated)	14,579	3,607	3,314	21,500

[1] Indirectly held through Parjointco.

[2] The carrying value of the investments in Lifeco and IGM have been restated to reflect the proportionate share of Lifeco's impact on total equity on January 1, 2022 in connection with the adoption of IFRS 17 and IFRS 9. Upon adoption of IFRS 9, the Corporation elected to present comparative information for certain of Lifeco's financial assets as if the classification and measurement requirements of IFRS 9 had been applied in the comparative period, on an instrument-by-instrument basis, as permitted by the amendment to IFRS 17 published by the IASB in December 2021.

[3] GBL's share of other comprehensive income (loss) includes $919 million of unrealized losses on available-for-sale investments and $16 million of unrealized losses on foreign currency translation.

	Lifeco	IGM	GBL [1]	Total
Carrying value, at December 31, 2022 (restated)	14,579	3,607	3,314	21,500
Change in accounting policy [2]	(20)	(1)	–	(21)
Carrying value, at January 1, 2023 (restated)	14,559	3,606	3,314	21,479
Investment in subsidiaries [3]	553	–	–	553
Contribution from adjusted net earnings (loss)	540	123	19	682
Contribution from adjustments	(145)	(2)	–	(147)
Share of other comprehensive income (loss)	136	19	212	367
Dividends	(330)	(83)	–	(413)
Effect of changes in ownership and other [4]	(281)	(107)	37	(351)
Carrying value, at March 31, 2023	15,032	3,556	3,582	22,170

[1] Indirectly held through Parjointco.

[2] The carrying value of the investments in Lifeco and IGM have been restated on January 1, 2023 to reflect the adoption of IFRS 9 primarily related to the impact on Lifeco's transition from an incurred loss model under IAS 39 to an expected credit loss (ECL) model under IFRS 9 for the determination of allowances for credit losses.

[3] On January 12, 2023, the Corporation acquired approximately 15.2 million Lifeco common shares from IGM, for cash consideration of $553 million. Refer to the section "ChinaAMC" in the section "Overview".

[4] Includes the effect of change in ownership as a result of i) the Corporation's acquisition of an additional 1.6% interest in Lifeco from IGM, and ii) the sale of the Corporation's interest in ChinaAMC to IGM.

ALTERNATIVE ASSET INVESTMENT PLATFORMS

The table below presents the components of the alternative asset investment platforms, Sagard and Power Sustainable. The asset management companies, and controlled and consolidated investments held through the investment platforms, are presented using the equity method for the purposes of the holding company presentation.

Alternative asset investment platforms are comprised of the following investments:

Carrying value, as at	March 31, 2023	December 31, 2022
Asset management companies		
Sagard	60	60
Power Sustainable	21	33
Investing activities		
Sagard [1]	719	654
Power Sustainable	1,082	1,101
	1,882	1,848

[1] Includes Power Financial's investments in Portage Ventures I, Portage Ventures II and Wealthsimple.

OTHER INVESTMENTS AND STANDALONE BUSINESSES

The table below presents the components of other investments and standalone businesses; certain controlled standalone businesses are presented using the equity method for the purposes of the holding company presentation.

Other investments and standalone businesses are comprised of the following:

Carrying value, as at	March 31, 2023	December 31, 2022
Other investments [1]	174	192
Standalone businesses	675	678
	849	870

[1] Includes portfolio investments in private investment funds and a select number of hedge funds. These investments are classified as fair value through profit or loss. At March 31, 2023, the Corporation had outstanding commitments to make future capital contributions to these funds for an aggregate amount of $36 million.

EQUITY

Non-participating shares

Non-participating (preferred) shares of the Corporation consist of five series of First Preferred Shares with an aggregate stated capital of $950 million at March 31, 2023 (same as at December 31, 2022), all of which are non-cumulative. All series are perpetual preferred shares and are redeemable in whole or in part solely at the Corporation's option from specified dates.

The terms and conditions of the outstanding First Preferred Shares are described in Note 18 of the Corporation's 2022 Consolidated Financial Statements.

Participating shareholders' equity

Participating shareholders' equity was $21,190 million at March 31, 2023, compared with $20,926 million at December 31, 2022:

Three months ended March 31	2023	2022 (restated)
Participating shareholders' equity, at the beginning of the year [1]	20,926	23,385
Impact of initial application of IFRS 17 and IFRS 9 overlay	–	(2,253)
Impact of initial application of IFRS 9 on January 1, 2023	(15)	–
Participating shareholders' equity, at the beginning of the year (restated)	20,911	21,132
Changes in participating shares		
Purchase for cancellation of subordinate voting shares under NCIB	(18)	(67)
Issuance of subordinate voting shares (113,902 shares in 2023 and 1,661,817 shares in 2022) under the Corporation's Executive Stock Option Plans	4	51
	(14)	(16)
Changes in retained earnings		
Net earnings before dividends on non-participating shares	326	875
Dividends declared	(363)	(347)
Purchase for cancellation of subordinate voting shares under NCIB and other	(24)	(212)
Reclassification of options as cash-settled share-based payments [2]	–	(54)
Effects of changes in capital and ownership of subsidiaries, and other	30	(30)
	(31)	232
Changes in reserves		
Other comprehensive income (loss)		
Foreign currency translation adjustments	95	(324)
Investment revaluation and cash flow hedges	52	(258)
Actuarial gains (losses) on defined benefit plans	(40)	316
Share of Parjointco and other jointly controlled corporations and associates	222	(463)
Share-based compensation, including the effect of subsidiaries	(5)	(48)
	324	(777)
Participating shareholders' equity, at March 31	21,190	20,571

[1] Opening balance at January 1, 2023 is as restated.

[2] During the three months ended March 31, 2022, the Corporation reclassified 12,646,606 options as cash-settled share-based payments as the Corporation intended to attach tandem share appreciation rights to certain options. See Note 19 to the 2022 Consolidated Financial Statements for additional information.

The book value per participating share (refer to the section "Other Measures") of the Corporation was $31.81 at March 31, 2023, compared with $31.37 at the end of 2022.

IFRS 17 and IFRS 9 transitional impacts on equity

The Corporation and its subsidiaries adopted IFRS 17 and IFRS 9 on their effective dates of January 1, 2023. The adoption of these standards had an impact on the Corporation's opening equity balances. The January 1, 2022 participating shareholders' equity decreased by approximately $3.4 billion on the adoption of IFRS 17, primarily due to the establishment of the contractual service margin, partially offset by the removal of provisions no longer required under IFRS 17. The initial application of the IFRS 9 overlay was an increase to the January 1, 2022 participating shareholders' equity of $1.1 billion.

Refer to the section "Changes in Accounting Policies" as well as Note 2 and Note 3 to the Corporation's Interim Consolidated Financial Statements for addition information.

Outstanding number of participating shares

At the date of this MD&A, there were 54,860,866 participating preferred shares of the Corporation outstanding (same as at December 31, 2022), and 611,173,933 subordinate voting shares of the Corporation outstanding, compared with 612,219,731 at December 31, 2022.

At the date of this MD&A, options were outstanding to purchase up to an aggregate of 26,735,763 subordinate voting shares of the Corporation, which includes 10,900,781 subordinate voting shares issuable pursuant to Replacement Options, under the Corporation's Executive Stock Option Plan and the Power Financial Employee Stock Option Plan.

Normal Course Issuer Bids

The Corporation's Normal Course Issuer Bid (NCIB) that commenced on February 28, 2022 expired on February 27, 2023. The Corporation did not make repurchases pursuant to this bid in the first quarter of 2023 (4,474,700 Subordinate Voting Shares for a total of $175 million during the first quarter of 2022).

On March 1, 2023, the Corporation commenced a NCIB which is effective until the earlier of February 29, 2024 and the date on which the Corporation has purchased the maximum permitted number of Subordinate Voting Shares. Pursuant to this bid, the Corporation may purchase up to 30 million of its Subordinate Voting Shares outstanding (representing approximately 5.4% of the public float of Subordinate Voting Shares outstanding at February 22, 2023) at market prices. At March 31, 2023, the Corporation had repurchased 1,159,700 Subordinate Voting Shares for a total of $42 million.

In connection with its NCIB, the Corporation has entered into an automatic share purchase plan and may provide parameters thereunder from time to time to allow a designated broker to purchase Subordinate Voting Shares under the NCIB at times when the Corporation would ordinarily not be permitted to purchase shares due to regulatory restrictions or self-imposed blackout periods. Outside of these predetermined blackout periods, purchases under the Corporation's NCIB will be completed at management's discretion.

Adjusted Net Asset Value

Adjusted net asset value is presented for Power Corporation and represents management's estimate of the fair value of the participating shareholders' equity of the Corporation. Adjusted net asset value is calculated as the fair value of the assets of the combined Power Corporation and Power Financial holding company less their net debt and preferred shares. In determining the fair value of assets, investments in subsidiaries, jointly controlled corporations and associates are adjusted to fair value as follows:

- Investments in publicly traded companies are valued at their market value, measured as the closing share price on the reporting date;
- Investments in private entities are valued at fair value based on management's estimate using consistently applied valuation models either based on a valuation multiple or discounted cash flows. Certain valuations are prepared by external valuators or subject to review by external valuators. Market-comparable transactions are generally used to corroborate the estimated fair value. The value of investments in private entities is presented net of any management incentives;
- Investments in investment funds are valued at the fair value reported by the fund which is net of carried interest or other incentives.

The presentation of the participating shareholders' equity at fair value is not in accordance with IFRS; adjusted net asset value is a non-IFRS financial measure. Refer to the section "Non-IFRS Financial Measures" for a description and a reconciliation of IFRS and non-IFRS financial measures.

The Corporation's adjusted net asset value is presented on a look-through basis. The combined holding company balance sheets of Power Corporation and Power Financial include the investments held in public entities through Power Financial (Lifeco, IGM and GBL), and the net debt and preferred shares of Power Financial. The adjusted net asset value per share, a non-IFRS ratio, was $46.89 at March 31, 2023, compared with $41.91 at December 31, 2022, representing an increase of 11.9%. The Corporation's book value per participating share (refer to the section "Other Measures") was $31.81 at March 31, 2023, compared with $31.37 at December 31, 2022, representing an increase of 1.4%.

	March 31, 2023			December 31, 2022		
	Holding company balance sheet	Fair value adjustment	Adjusted net asset value	Holding company balance sheet (restated)	Fair value adjustment (restated)	Adjusted net asset value
Holding company assets						
Investments						
Power Financial						
Lifeco	15,032	7,730	22,762	14,579	4,835	19,414
IGM	3,556	2,419	5,975	3,607	1,985	5,592
GBL [1]	3,582	(1,022)	2,560	3,314	(926)	2,388
Alternative asset investment platforms						
Asset management companies [2]						
Sagard	60	–	60	60	–	60
Power Sustainable	21	–	21	33	–	33
Investing activities						
Sagard [3]	719	262	981	654	263	917
Power Sustainable	1,082	417	1,499	1,101	344	1,445
ChinaAMC	–	–	–	783	367	1,150
Other investments and standalone businesses						
Other investments [4]	174	99	273	192	55	247
Standalone businesses [5]	675	138	813	678	151	829
Cash and cash equivalents	1,663	–	1,663	1,277	–	1,277
Other assets	263	–	263	312	–	312
Total holding company assets	26,827	10,043	36,870	26,590	7,074	33,664
Holding company liabilities and non-participating shares						
Debentures and other debt instruments	897	–	897	897	–	897
Other liabilities [6, 7]	960	–	960	987	37	1,024
Non-participating shares and perpetual preferred shares	3,780	–	3,780	3,780	–	3,780
Total holding company liabilities and non-participating shares	5,637	–	5,637	5,664	37	5,701
Net value						
Participating shareholders' equity (IFRS) / Adjusted net asset value (non-IFRS)	21,190	10,043	31,233	20,926	7,037	27,963
Per share	**31.81**		**46.89**	**31.37**		**41.91**

[1] The Corporation's share of GBL's reported net asset value was $4.1 billion (€2.8 billion) at March 31, 2023 ($3.8 billion (€2.6 billion) at December 31, 2022).

[2] The management companies of the investment funds are presented at their carrying value and are primarily composed of cash and net carried interest receivable.

[3] Includes the Corporation's investments in Portage Ventures I, Portage Ventures II and Wealthsimple, held by Power Financial.

[4] Includes the Corporation's interest of 3.9% held in Bellus. At March 31, 2023, the fair value of the investment in Bellus is based on the transaction price of US$14.75 per share announced on April 18, 2023, subsequent to quarter-end.

[5] An additional deferred tax liability of $9 million has been included in the adjusted net asset value at March 31, 2023 ($13 million at December 31, 2022) with respect to the investments in standalone businesses at fair value, without taking into account possible tax planning strategies. The Corporation has tax attributes (not otherwise recognized on the balance sheet) that could be available to minimize the tax if the Corporation were to dispose of its interests held in the standalone businesses.

[6] In accordance with IAS 12, *Income Taxes*, no deferred tax liability is recognized with respect to temporary differences associated with investments in subsidiaries and jointly controlled corporations as the Corporation is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. If the Corporation were to dispose of an investment in a subsidiary or a jointly controlled corporation, income taxes payable on such disposition would be minimized through careful and prudent tax planning and structuring, as well as with the use of available tax attributes not otherwise recognized on the balance sheet, including tax losses, tax basis, safe income and foreign tax surplus associated with the subsidiary or jointly controlled corporation.

[7] At December 31, 2022, an additional deferred tax liability of $37 million was included in the adjusted net asset value related to the investment in ChinaAMC at fair value.

Investments measured at market value and cash represent 92.7% of the total assets at fair value at March 31, 2023 (88.7% at December 31, 2022). A 10% change in the market value of publicly traded investments would result in a change in the Corporation's adjusted net asset value of $3,228 million or $4.85 per share.

Cash Flows

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONDENSED)

The condensed cash flows of Lifeco, IGM and the holding company cash flows of Power Corporation and Power Financial on a combined basis, as well as the Corporation's alternative asset investment platforms, are presented below. These tables reconcile the holding company statement of cash flows to the condensed consolidated statement of cash flows of the Corporation for the three-month periods ended March 31, 2023 and 2022, which are included in Note 23 of the Interim Consolidated Financial Statements. This presentation assists the reader in assessing the cash flows of the holding company.

Three months ended March 31						2023
	Lifeco	IGM	Holding company	Alternative Asset Investment Platforms and Other [1]	Effect of consolidation	Power Corporation Consolidated
Cash flows from:						
Operating activities	(1,034)	112	289	(20)	(343)	(996)
Financing activities	(752)	(146)	(416)	540	276	(498)
Investing activities	1,136	(492)	513	(507)	(103)	547
Effect of changes in exchange rates on cash and cash equivalents	26	–	–	–	1	27
Increase (decrease) in cash and cash equivalents	(624)	(526)	386	13	(169)	(920)
Cash and cash equivalents, at the beginning of the year	7,290	1,073	1,277	493	(285)	9,848
Cash and cash equivalents, at March 31	6,666	547	1,663	506	(454)	8,928

[1] Includes consolidated investment funds and their controlled investments, Wealthsimple and standalone businesses.

Three months ended March 31						2022 (restated)
	Lifeco	IGM	Holding company	Alternative Asset Investment Platforms and Other [1]	Effect of consolidation	Power Corporation Consolidated
Cash flows from:						
Operating activities	1,440	65	296	(31)	(445)	1,325
Financing activities	552	(356)	(515)	208	458	347
Investing activities	1,357	184	46	(224)	(77)	1,286
Effect of changes in exchange rates on cash and cash equivalents	(167)	–	–	(3)	(3)	(173)
Increase (decrease) in cash and cash equivalents	3,182	(107)	(173)	(50)	(67)	2,785
Cash and cash equivalents, at the beginning of the year	6,075	1,292	1,635	759	(252)	9,509
Cash and cash equivalents, at March 31	9,257	1,185	1,462	709	(319)	12,294

[1] Includes consolidated investment funds and their controlled investments, Wealthsimple and standalone businesses.

Consolidated cash and cash equivalents decreased by $920 million in the three-month period ended March 31, 2023, compared with an increase of $2,785 million in the corresponding period in 2022.

Operating activities produced a net outflow of $996 million in the three-month period ended March 31, 2023, compared with a net inflow of $1,325 million in the corresponding period in 2022.

Cash flows from financing activities, which include the issuance and repayment of capital instruments, the issuance and repurchase of participating and preferred shares, the issuance and redemption of common shares, limited-life fund and redeemable units by subsidiaries, dividends paid on the participating and non-participating shares of the Corporation, and dividends paid by subsidiaries to non-controlling interests and increases and repayments of obligations to securitization entities by IGM, represented a net outflow of $498 million in the three-month period ended March 31, 2023, compared with a net inflow of $347 million in the corresponding period in 2022.

Cash flows from investing activities resulted in a net inflow of $547 million in the three-month period ended March 31, 2023, compared with a net inflow of $1,286 million in the corresponding period in 2022.

Parts B and C of this MD&A include a discussion of the cash flows of Lifeco and IGM, respectively.

HOLDING COMPANY STATEMENTS OF CASH FLOWS

As Power Corporation is a holding company, corporate cash flows are primarily comprised of dividends received, income from investments and income (loss) from cash and cash equivalents, less operating expenses, financing charges, income taxes, and non-participating and participating share dividends.

The following combined statements of cash flows of Power Corporation and Power Financial present the cash flows of the holding company. This presentation has been prepared to assist the reader as it isolates the cash flows of the activities of the holding company.

Three months ended March 31	2023	2022
Operating activities of the holding company		
Dividends		
Lifeco	330	304
IGM	83	83
Corporate operations, net of non-cash items [1]	(124)	(91)
	289	296
Financing activities of the holding company		
Dividends paid on:		
Non-participating shares	(13)	(13)
Participating shares	(330)	(335)
Perpetual preferred shares	(34)	(34)
Issuance of subordinate voting shares	3	46
Repurchase of subordinate voting shares	(42)	(175)
Repurchase of non-participating shares	–	(4)
	(416)	(515)
Investing activities of the holding company		
Distributions and proceeds from disposal of investments [2]	1,205	79
Purchase of additional interest in Lifeco	(553)	–
Purchase of investments	(139)	(33)
	513	46
Increase (decrease) in cash and cash equivalents	386	(173)
Cash and cash equivalents, at the beginning of the year	1,277	1,635
Cash and cash equivalents, at March 31	**1,663**	**1,462**

[1] Includes changes in short-term receivables from, and payables to, investment platforms.

[2] Includes proceeds from disposal of the Corporation's interest in ChinaAMC.

Cash and cash equivalents of the Corporation and Power Financial increased by $386 million in the three-month period ended March 31, 2023, compared with a decrease of $173 million in the corresponding period in 2022.

Operating activities resulted in a net inflow of $289 million in the three-month period ended March 31, 2023, compared with a net inflow of $296 million in the corresponding period in 2022. Dividends received from the publicly traded operating companies include:

Three months ended	March 31, 2023		March 31, 2022	
(in millions of Canadian dollars; except as otherwise noted)	Dividend per share	Total dividend received	Dividend per share	Total dividend received
Lifeco	0.5200	330	0.4900	304
IGM	0.5625	83	0.5625	83

The Corporation's financing activities during the three-month period ended March 31, 2023 resulted in a net outflow of $416 million, compared with a net outflow of $515 million in the corresponding period in 2022, and included:

- Dividends paid on non-participating and participating shares by the Corporation of $343 million, compared with $348 million in the corresponding period in 2022. In the three-month period ended March 31, 2023, dividends paid on the Corporation's participating shares were $0.4950 per share, comparable with the corresponding period in 2022.
- Dividends paid on preferred shares by Power Financial of $34 million, same as in the corresponding period in 2022.
- Issuance of subordinate voting shares of the Corporation for $3 million pursuant to the Corporation's Executive Stock Option Plan and the Power Financial Employee Stock Option Plan, compared with issuance for an amount of $46 million in the corresponding period in 2022.
- Repurchase of subordinate voting shares of $42 million, as part of the NCIB, in the three-month period ended March 31, 2023, compared with repurchase for an amount of $175 million in the corresponding period in 2022.
- No repurchase of non-participating shares, compared with repurchase for an amount of $4 million in the corresponding period in 2022.

The Corporation's investing activities during the three-month period ended March 31, 2023 resulted in a net inflow of $513 million, compared with a net inflow of $46 million in the corresponding period in 2022.

Proceeds from disposal of investments and purchase of investments are comprised of investment activities of the Corporation and in its investment platforms.

The Corporation increased its level of fixed income securities with maturities of more than three months, resulting in a net outflow of $149 million in the three-month period ended March 31, 2023, compared with a net outflow of $12 million in the corresponding period in 2022.

Capital Management

As a holding company, Power Corporation's objectives in managing its capital are to:

- provide attractive long-term returns to shareholders of the Corporation;
- provide sufficient financial flexibility to pursue its growth strategy to invest on a timely basis in its operating companies and other investments as opportunities arise;
- maintain a capital structure that matches the long-term nature of its investments by maximizing the use of permanent capital;
- maintain an appropriate credit rating to ensure stable access to the capital markets; and
- maintain available cash and cash equivalents at a minimum of two times fixed charges.

The Corporation manages its capital taking into consideration the risk characteristics and liquidity of its holdings. In order to maintain or adjust its capital structure, the Corporation may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue capital.

The Board of Directors of the Corporation is responsible for capital management. Management of the Corporation is responsible for establishing capital management procedures and for implementing and monitoring its capital plans. The Board of Directors of the Corporation reviews and approves capital transactions such as the issuance, redemption and repurchase of participating shares, non-participating shares and debentures. The boards of directors of the Corporation's subsidiaries, as well as those of Parjointco and GBL, oversee and have the responsibility for their respective company's capital management.

With the exception of debentures and other debt instruments, the Corporation's capital is permanent, matching the long-term nature of its investments. The capital structure of the Corporation consists of: debentures, non-participating shares, participating shareholders' equity, and non-controlling interests. The Corporation views non-participating shares as a cost-effective source of permanent capital.

The Corporation's consolidated capitalization includes the debentures, preferred shares and other equity instruments, and other debt instruments issued by its consolidated subsidiaries. Debentures and other debt instruments issued by Power Financial, Lifeco, IGM and controlled investments are non-recourse to the Corporation. The Corporation does not guarantee debt issued by its subsidiaries. Non-participating shares and total equity accounted for 72% of consolidated capitalization at March 31, 2023.

	March 31, 2023	December 31, 2022 (restated)
Debentures and other debt instruments		
Power Corporation	647	647
Power Financial	250	250
Lifeco	10,311	10,509
IGM	2,100	2,100
Other [1]	2,374	1,956
Effect of consolidation	(88)	(88)
	14,947	14,727
	15,594	15,374
Non-participating shares and other equity instruments		
Power Corporation	950	950
Power Financial	2,830	2,830
Lifeco	4,220	4,220
	7,050	7,050
	8,000	8,000
Equity		
Participating shareholders' equity	21,190	20,926
Non-controlling interests [2]	11,753	11,653
	32,943	32,579
	56,537	55,953

[1] Includes other debt instruments of controlled and consolidated investments and standalone businesses; consists of $235 million ($113 million in 2022) of debt under revolving credit facilities held by the investment funds and other debt held by controlled investees, $1,961 million ($1,763 million in 2022) of project-related debt held within the Power Sustainable Energy Infrastructure platform, and $178 million ($80 million in 2022) of other debt held by standalone businesses. The other debt instruments are secured by the assets of the controlled investments which are non-recourse to the Corporation. See Note 11 B) to the Interim Consolidated Financial Statements for additional information.

[2] Represents the non-controlling equity interests of the Corporation's subsidiaries excluding Power Financial and Lifeco's preferred shares and limited recourse capital notes, which are shown in this table as non-participating shares.

Power Corporation

- The Corporation filed a short-form base shelf prospectus dated November 16, 2022, pursuant to which, for a period of 25 months thereafter, the Corporation may issue First Preferred Shares, subordinate voting shares, subscription receipts and unsecured debt securities, or any combination thereof. This filing provides the Corporation with the flexibility to access debt and equity markets on a timely basis.
- The Corporation commenced a NCIB on March 1, 2023 which is effective until the earlier of February 29, 2024 and the date on which the Corporation has purchased the maximum permitted number of subordinate voting shares. Refer to the section "Participating Shareholders' Equity" for more information.

Power Financial

- Power Financial filed a short-form base shelf prospectus dated December 5, 2022, pursuant to which, for a period of 25 months thereafter, Power Financial may issue up to an aggregate of $3 billion of First Preferred Shares and unsecured debt securities, or any combination thereof. This filing provides the Corporation with the flexibility to access debt and equity markets on a timely basis through Power Financial.

Lifeco

- On April 18, 2023, subsequent to quarter-end, Lifeco repaid the principal amount of its maturing €500 million senior 2.5% euro bond, together with accrued interest.

The Corporation itself is not subject to externally imposed regulatory capital requirements; however, Lifeco and certain of its main subsidiaries, IGM's subsidiaries and certain of the Corporation's other subsidiaries are subject to regulatory capital requirements. Parts B and C of this MD&A further describe the capital management activities of Lifeco and IGM, respectively. See Note 21 to the Corporation's 2022 Consolidated Financial Statements for additional information.

RATINGS

The current rating by Standard & Poor's (S&P) of the Corporation's debentures is "A+" with a stable outlook. Dominion Bond Rating Service's (DBRS) current rating on the Corporation's debentures is "A" with a stable rating trend.

Credit ratings are intended to provide investors with an independent measure of the credit quality of the securities of a corporation and are indicators of the likelihood of payment and the capacity of a corporation to meet its obligations in accordance with the terms of each obligation. Descriptions of the rating categories for each of the agencies set forth below have been obtained from the respective rating agencies' websites. These ratings are not a recommendation to buy, sell or hold the securities of a corporation and do not address market price or other factors that might determine suitability of a specific security for a particular investor. The ratings also may not reflect the potential impact of all risks on the value of securities and are subject to revision or withdrawal at any time by the rating organization.

The "A+" rating assigned to the Corporation's debentures by S&P is the fifth highest of the 22 ratings used for long-term debt. A long-term debenture rated "A+" is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories; however, the obligor's capacity to meet its financial commitment on the obligation is still strong.

The "A" rating assigned to the Corporation's debentures by DBRS is the sixth highest of the 26 ratings used for long-term debt. A long-term debenture rated "A" implies that the capacity for repayment is substantial, but of lesser credit quality than AA, and may be vulnerable to future events, although qualifying negative factors are considered manageable.

The current rating by S&P of Power Financial's debentures is "A+" with a stable outlook. DBRS' current rating on Power Financial's debentures is "A (High)" with a stable trend.

Parts B and C of this MD&A provide information on the ratings of the debentures of Lifeco and IGM, respectively.

Risk Management

Power Corporation is an international management and holding company that focuses on financial services in North America, Europe and Asia. Its core holdings are leading insurance, retirement, wealth management and investment businesses including a portfolio of alternative asset investment platforms. The Corporation, through Power Financial, holds a controlling interest in Lifeco and IGM and also holds a joint controlling interest in Parjointco, which itself holds a controlling interest in GBL. As a result, the Corporation bears the risks associated with being a significant shareholder of these operating companies. A complete description of these risks is presented in their public disclosures. The respective boards of directors of Lifeco, IGM and GBL are responsible for the risk oversight function at their respective companies. The risk committees of the boards of directors of Lifeco and IGM are responsible for their risk oversight. Certain officers of the Corporation are members of these boards and committees of these boards, including the risk committees, and, consequently, in their role as directors, they participate in the risk oversight function at the operating companies. Parts B and C of this MD&A further describe risks related to Lifeco and IGM, respectively.

RISK OVERSIGHT

The Corporation believes that a prudent approach to risk is achieved through a governance model that focuses on the active oversight of its investments. The Board of Directors and executive officers of the Corporation have overall oversight and responsibility for risk management associated with the investment activities and operations of the holding company and maintain a comprehensive and appropriate set of policies and controls.

The Board of Directors provides oversight and carries out its risk management mandate and addresses operational risks primarily through the following committees:

- The Audit Committee addresses risks related to financial reporting and cybersecurity.
- The Human Resources Committee considers risks associated with the Corporation’s compensation policies and practices.
- The Governance and Nominating Committee oversees the Corporation’s approach to appropriately address potential risks related to governance matters.
- The Related Party and Conduct Review Committee reviews and considers for approval transactions with related parties of the Corporation.

There are certain risks inherent in an investment in the securities of the Corporation and in the activities of the Corporation, which investors should carefully consider before investing in securities of the Corporation. The 2022 Annual MD&A reviews certain risks that could impact the financial condition and financial performance, and the value of the equity of the Corporation. This description of risks does not include all possible risks, and there may be other risks of which the Corporation is not currently aware.

During the first quarter of 2023, there were no changes to the Corporation’s risk oversight approach, and the identification and management of the specific risks, including the risks related to the COVID-19 pandemic and geopolitical tensions, as described in the 2022 Annual MD&A.

Financial Instruments and Other Instruments

FAIR VALUE MEASUREMENT

At March 31, 2023, there have been changes to the carrying amounts and fair value of the Corporation and its subsidiaries' assets and liabilities recorded at fair value since December 31, 2022. These changes did not have a material impact on the financial condition of the Corporation and its subsidiaries. See Note 22 to the Corporation's Interim Consolidated Financial Statements for additional disclosure of the Corporation's fair value measurement.

DERIVATIVE FINANCIAL INSTRUMENTS

In the course of their activities, the Corporation and its subsidiaries use derivative financial instruments. When using such derivatives, they only act as limited end-users and not as market makers in such derivatives.

The use of derivatives is monitored and reviewed on a regular basis by senior management of the Corporation and by senior management of its subsidiaries. The Corporation and its subsidiaries have each established operating policies, guidelines and procedures relating to the use of derivative financial instruments, which in particular focus on:

- prohibiting the use of derivative instruments for speculative purposes;
- documenting transactions and ensuring their consistency with risk management policies;
- demonstrating the effectiveness of the hedging relationships; and
- monitoring the hedging relationships.

There were no major changes to the Corporation and its subsidiaries' policies and procedures with respect to the use of derivative instruments in the three-month period ended March 31, 2023. The following table provides a summary of the Corporation and its subsidiaries' derivatives portfolio:

	March 31, 2023			December 31, 2022		
	Notional	Maximum credit risk	Total fair value	Notional	Maximum credit risk	Total fair value
Power Corporation	300	4	(1)	301	3	(19)
Power Financial	41	7	7	14	5	5
Lifeco	50,426	2,158	650	46,639	2,314	675
IGM	1,872	53	6	1,751	64	12
Other subsidiaries	1,795	57	41	1,809	94	90
	54,134	2,275	704	50,213	2,477	782
	54,434	2,279	703	50,514	2,480	763

During the three-month period ended March 31, 2023, there was an increase of $3.9 billion in the notional amount of derivatives outstanding, primarily due to regular hedging activities by Lifeco. The Corporation and its subsidiaries' exposure to derivative counterparty risk (which represents the market value of instruments in a gain position) decreased to $2,279 million at March 31, 2023 from $2,480 million at December 31, 2022. The decrease was primarily driven by the impact of the British pound and euro strengthening against the U.S. dollar on cross-currency swaps that pay British pounds and euros and receive U.S. dollars.

Parts B and C of this MD&A provide information on the types of derivative financial instruments used by Lifeco and IGM, respectively.

See Note 26 to the Corporation's 2022 Consolidated Financial Statements for additional information.

Off-Balance Sheet Arrangements

GUARANTEES

In the normal course of their operations, the Corporation and its subsidiaries may enter into certain agreements, the nature of which precludes the possibility of making a reasonable estimate of the maximum potential amount the Corporation or subsidiary could be required to pay third parties, as some of these agreements 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. See also Note 32 to the Corporation's 2022 Consolidated Financial Statements.

LETTERS OF CREDIT

In the normal course of its reinsurance business, Lifeco provides letters of credit to other parties or beneficiaries. A beneficiary will typically hold a letter of credit as collateral to secure statutory credit for insurance and investment contract liabilities ceded to or amounts due from Lifeco. Lifeco may be required to seek collateral alternatives if it is unable to renew existing letters of credit on maturity. See also Part B of this MD&A and Note 32 to the Corporation's 2022 Consolidated Financial Statements.

Contingent Liabilities

The Corporation and its subsidiaries are from time to time subject to legal actions, including arbitrations and class actions, arising in the normal course of business. It is inherently difficult to predict the outcome of any of these proceedings with certainty, and it is possible that an adverse resolution could have a material adverse effect on the consolidated financial position of the Corporation. However, based on information presently known, it is not expected that any of the existing legal actions, either individually or in the aggregate, will have a material adverse effect on the consolidated financial position of the Corporation. See also Parts B and C of this MD&A and Note 31 to the Corporation's 2022 Consolidated Financial Statements.

Commitments and Contractual Obligations

At March 31, 2023, there have been no material changes in the contractual obligations of the Corporation and its subsidiaries from those reported in the 2022 Annual MD&A.

Income Taxes

The non-capital losses of the holding company, at March 31, 2023, were $1,278 million ($1,238 million for which the benefits have not been recognized) and are available to reduce future taxable income (including capital gains). These losses expire from 2028 to 2043.

The capital losses of the holding company, at March 31, 2023, were $144 million ($50 million for which the benefits have not been recognized) and can be used indefinitely to offset capital gains.

Transactions with Related Parties

Power Corporation has a Related Party and Conduct Review Committee composed entirely of Directors who are independent of management and independent of the Corporation's controlling shareholder. The mandate of this Committee is to review proposed transactions with related parties of the Corporation, including its controlling shareholder, and to approve only those transactions that it deems appropriate and that are done at market terms and conditions.

In the normal course of business, Power Corporation and its subsidiaries enter into various transactions which include capital commitments to investment funds, including commitments from management, performance and base management fees paid to subsidiaries of the group, employee ownership participations and loans to employees. Such transactions are at market terms and conditions and are reviewed by the appropriate related party and conduct review committee.

In the normal course of business, Canada Life and Putnam enter into various transactions with related companies which include providing group insurance benefits and sub-advisory services, respectively, to other companies within the Power Corporation group of companies. Such transactions are at market terms and conditions. These transactions are reviewed by the appropriate related party and conduct review committee.

Lifeco provides asset management, employee benefits and administrative services for employee benefit plans relating to pension and other post-employment benefits for employees of Power Corporation, Power Financial, and Lifeco and its subsidiaries. These transactions are at market terms and conditions and are reviewed by the appropriate related party and conduct review committee.

IGM enters into transactions with subsidiaries of Lifeco. These transactions are in the normal course of operations and include i) providing certain administrative and technology services; ii) distributing insurance products; and iii) the sale of residential mortgages to Canada Life. These transactions are at market terms and conditions and are reviewed by the appropriate related party and conduct review committee.

On January 12, 2023, the Corporation and IGM completed a previously announced agreement in which IGM acquired the Corporation's 13.9% interest held in ChinaAMC. In a separate transaction, IGM sold a 1.6% interest held in Lifeco to Power Financial. Refer to the section "ChinaAMC" in the section "Overview".

On April 3, 2023, subsequent to quarter-end, Lifeco and IGM announced that they have entered into an agreement whereby Lifeco will acquire 100% of IPC from IGM for cash consideration of $575 million. Refer to the section "Rockefeller Capital Management and Investment Planning Counsel" in the section "Overview".

See Note 30 to the Corporation's 2022 Consolidated Financial Statements for additional information.

Summary of Critical Accounting Estimates and Judgments

In the preparation of the financial statements, management of the Corporation and the managements of its subsidiaries are required to make significant judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, net earnings, comprehensive income and related disclosures. The results of the Corporation reflect the judgments of the managements of the Corporation and its subsidiaries regarding the impact of prevailing market conditions related to global credit, equities, investment properties and foreign exchange, as well as, with respect to Lifeco, prevailing health and mortality experience. Key sources of estimation uncertainty and areas where significant judgments are made by the management of the Corporation and the managements of its subsidiaries include: the entities to be consolidated or accounted for using the equity method, valuation of insurance and certain investment contract liabilities, fair value measurements, impairment of investments, goodwill and intangible assets, income taxes and employee future benefits.

The significant accounting estimates and judgments below reflect the implementation of IFRS 17 and IFRS 9 by the Corporation and its subsidiaries. Additional details regarding these significant estimates and judgments can be found in Note 2 to the Interim Financial Statements, as well as in the Corporation's 2022 Annual MD&A and the notes to the Corporation's 2022 Consolidated Financial Statements.

FAIR VALUE MEASUREMENT

Under IFRS 9, a financial asset is measured at fair value on initial recognition and is classified and subsequently measured as fair value through profit or loss (FVPL), fair value through other comprehensive income (FVOCI), or amortized cost based upon the Corporation's or its subsidiaries' business models for managing these assets and the contractual cash flow characteristics of these assets.

The Corporation and its subsidiaries maximize the use of observable inputs when measuring fair value. The following is a description of the methodologies used to value instruments carried at fair value.

Bonds at fair value through profit or loss and fair value through other comprehensive income

Fair values for bonds measured as FVPL or FVOCI are determined with reference to quoted market bid prices primarily provided by third-party independent pricing sources. Where prices are not quoted in an active market, fair values are determined by valuation models. The Corporation and its subsidiaries obtain quoted prices in active markets, when available, for identical assets at the balance sheet date to measure bonds at fair value in its FVPL and FVOCI portfolios.

The Corporation and its subsidiaries estimate the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Mortgages and other loans at fair value through profit or loss and fair value through other comprehensive income

There are no market-observable prices for mortgage and other loans; therefore, fair values for mortgage and other loans are determined by discounting expected future cash flows using current market rates for similar instruments. Valuation inputs typically include benchmark yields and risk-adjusted spreads based on current lending activities and market activity.

Equity-release mortgages at fair value through profit or loss

There are no market-observable prices for equity-release mortgages; Lifeco uses an internal valuation model which is based on discounting expected future cash flows and considering the embedded no-negative-equity guarantee. Inputs to the model include market-observable inputs such as benchmark yields and risk-adjusted spreads. Non-market-observable inputs include property growth and volatility rates, expected rates of voluntary redemptions, death, moving to long-term care and interest cessation assumptions and the value of the no-negative-equity guarantee.

Shares at fair value through profit or loss and fair value through other comprehensive income

Fair values of publicly traded shares are generally determined by the last bid price for the security from the exchange where it is principally traded. Fair values of shares for which there is no active market are typically based upon alternative valuation techniques such as discounted cash flow analysis, review of price movement relative to the market and utilization of information provided by the underlying investment manager. The Corporation and its subsidiaries obtain quoted prices in active markets, when available, for identical assets at the balance sheet date to measure shares at fair value in its fair value through profit or loss portfolio.

EXPECTED CREDIT LOSSES

Under IFRS 9, expected credit loss (ECL) allowances are recognized on all financial assets, except for financial assets classified or designated as FVPL and equity instruments designated as FVOCI. The ECL model under IFRS 9 replaces the incurred loss model under IAS 39.

The Corporation and its subsidiaries measure loss allowances at either a 12-month ECL or lifetime ECL. A 12-month ECL results from any default events that could potentially occur within the 12 months following the reporting date. A 12-month ECL is calculated for financial assets that are determined to have low credit risk or a credit risk that has not increased significantly since initial recognition. A lifetime ECL results from all possible default events over the expected life of the financial asset, which is the maximum contractual period over which the Corporation or its subsidiaries are exposed to the credit risk. A lifetime ECL is recognized for financial assets that have experienced a significant increase in credit risk since initial recognition or when there is objective evidence of impairment.

The ECL allowance is based on a probability-weighted estimate of credit losses expected as a result of defaults over the relevant time period as prescribed under the ECL model. The measurement of ECL for a financial asset is based primarily on the exposure at default, the probability of default, and the loss given default. The measurement of ECL allowances requires the use of judgment and assumptions.

INSURANCE, REINSURANCE HELD AND INVESTMENT CONTRACT LIABILITIES

In the computation of insurance contract liabilities, Lifeco has made valuation assumptions regarding rates of mortality/morbidity, investment returns, levels of operating expenses, rates of policy termination and rates of utilization of elective policy options or provisions. The valuation assumptions use best estimates of future experience together with a risk adjustment for non-financial risk. This risk adjustment for non-financial risk is necessary to provide for possibilities of mis-estimation and/or future deterioration in the best-estimate assumptions and provide reasonable assurance that insurance contract liabilities cover a range of possible outcomes. Risk adjustments for non-financial risk are reviewed periodically for continued appropriateness.

The estimates of the present value of future cash flows are measured by Lifeco for reinsurance contract held using assumptions that are consistent with those used to measure the estimates of the present value of future cash flows for the underlying insurance contracts, with an adjustment for any risk of non-performance by the reinsurer.

Investment contract liabilities are measured at fair value determined using discount rates derived from a reference portfolio or stochastic modelling at the end of the reporting period. Lifeco's main valuation techniques incorporate all factors that market participants would consider and make maximum use of observable market data.

The methods for arriving at these valuation assumptions are outlined in Part B of this MD&A, including updates to Lifeco's annual assumptions and sensitivity disclosures.

Changes in Accounting Policies

The Corporation actively monitors changes in IFRS, both proposed and released, by the International Accounting Standards Board (IASB) for potential impact on the Corporation.

The Corporation and its subsidiaries adopted IFRS 17, *Insurance Contracts* (IFRS 17) and IFRS 9, *Financial Instruments* (IFRS 9), which replaced IFRS 4, *Insurance Contracts* (IFRS 4) and IAS 39, *Financial Instruments: Recognition and Measurement* (IAS 39), respectively, on their effective date of January 1, 2023. The Corporation has also applied IFRS 9 as at January 1, 2023 when applying the equity method of accounting to GBL's results.

IFRS 17, which impacted only Lifeco due to its insurance activities, establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts. Under IFRS 17, groups of contracts are measured by Lifeco at the estimate of the present value of fulfillment cash flows, adjusted for an explicit risk adjustment for non-financial risk and the contractual service margin (CSM).

IFRS 9 includes changes to the accounting of financial instruments for the following:

i) classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;

ii) impairment based on an expected loss model; and

iii) hedge accounting that incorporates the risk management practices of an entity.

The accounting policies materially impacted by the adoption of IFRS 17 and IFRS 9 are described in Note 2 to the Interim Financial Statements.

The Corporation also adopted the amendments to IFRS for IAS 1, *Presentation of Financial Statements*, IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* and IAS 12, *Income Taxes* effective January 1, 2023. The adoption of these amendments did not have a material impact on the Corporation's financial statements.

ADOPTION OF IFRS 17 AND IFRS 9

IFRS 17

IFRS 17 introduces significant changes to the presentation of the Corporation's financial statements. Portfolios of insurance contracts issued by Lifeco, and reinsurance contracts held that are assets and liabilities, are respectively presented separately.

IFRS 17 also introduces significant measurement differences, including the following:

- Reclassification of contracts from insurance to investment contracts;
- Establishment of the CSM for in-force policies;
- Net impact of removing margin for adverse deviations (MfADs) and establishing an adjustment for non-financial risk;
- Adjustment for difference in discount rates;
- Adjustment for non-attributable expenses; and
- Other measurement impacts.

Upon transition, IFRS 17 requires an entity to apply the standard retrospectively unless impracticable, in which case the entity shall use either the modified retrospective approach or the fair value approach.

The full retrospective approach requires the Corporation, through Lifeco, to apply the guidance of IFRS 17 as if IFRS 17 had always been applied.

Lifeco has performed a cut-off date assessment (by region and product) to determine the contracts to which the full retrospective approach can be applied. The Corporation, through Lifeco, applied the full retrospective approach to all identified insurance contracts unless it was impracticable, in the cases where reasonable and supportable information necessary to complete the full retrospective approach was not available.

The fair value approach calculates the CSM or loss component of the liability for remaining coverage as the difference between the fair value of a group of insurance contracts at the date of transition and the fulfillment cash flows measured at that date. The Corporation, through Lifeco, has applied the fair value approach to contracts where it was impracticable to apply the full retrospective approach.

IFRS 9

IFRS 9 introduces changes to the classification and measurement of financial instruments as well as the transition from an incurred loss model under IAS 39 to an ECL model for the determination of allowances for credit losses.

Upon adoption of IFRS 9, the Corporation elected to present comparative information for certain of its financial assets, primarily those held by Lifeco, as if the classification and measurement requirements of IFRS 9 had been applied in the comparative period, on an instrument-by-instrument basis, as permitted by the amendment to IFRS 17 published by the IASB in December 2021.

HEDGE ACCOUNTING

As permitted under IFRS 9, the Corporation and its subsidiaries elected to continue to apply the hedge accounting principles under IAS 39 instead of those under IFRS 9. The accounting policy for hedge accounting is disclosed in the notes to the consolidated financial statements of the Corporation for the year ended December 31, 2022.

IMPACT ON OPENING BALANCE SHEET

The changes in accounting policies resulting from the adoption of these standards had an impact on the Corporation's opening equity balances.

The adoption of IFRS 17 and the IFRS 9 overlay resulted in an overall reduction of total assets of $13.6 billion, total liabilities of $10.2 billion, and total equity of $3.4 billion on the transition balance sheet as at January 1, 2022.

Asset and liability reclassifications were driven by changes to the groupings of certain assets and liabilities. Significant reclassifications included $8.3 billion of loans to policyholders, $7.9 billion of funds held by ceding insurers, and $1.9 billion of premiums in the course of collection reclassified to insurance contract liabilities. In addition, $40.5 billion of insurance contract liabilities were reclassified to investment contract liabilities, and insurance contract assets of $1.5 billion and reinsurance contract held liabilities of $1.3 billion were established.

The presentation of liabilities on account of segregated fund policyholders was separated between insurance and investment contract liabilities.

IFRS 9 adjustments primarily resulted in an increase to assets of $2.6 billion due to a change in designation of certain bonds and mortgage and other loans held at amortized cost under IAS 39 to FVPL under IFRS 9.

IFRS 17 adjustments mainly resulted in an increase to insurance contract liabilities of $6.8 billion, which is primarily the result of the establishment of CSM for in-force contracts of $4.1 billion associated with shareholders' equity and $4.4 billion associated with non-controlling interests, partially offset by risk adjustments related to the transition from IFRS 4 to IFRS 17 of $1.4 billion associated with shareholders' equity and $0.6 billion associated with non-controlling interests. This does not include the CSM on in-force segregated fund business which does not have a material impact on capital.

Total equity decreased by $3.4 billion, consisting of a $2.3 billion reduction to shareholders' equity and a $1.1 billion reduction to non-controlling interests.

Shareholders' equity decreased by $2.3 billion, primarily due to the establishment of the CSM of $4.4 billion and the adjustment for differences in the discount rate of $1.3 billion, offset by increases due to the transition of risk adjustments from IFRS 4 to IFRS 17 of $1.4 billion and the impact of the initial application of the IFRS 9 overlay of $1.5 billion. All other impacts, including taxes, adjustments for non-attributable expenses and from reclassifications, totalled an increase of $0.5 billion.

The non-controlling interests decrease of $1.1 billion was due to the impact of the initial application of IFRS 17 of $2.0 billion, offset by the impact of the application of the IFRS 9 overlay of $0.9 billion.

The adoption of IFRS 9 on January 1, 2023 impacted the classification of the Corporation's investments and those held by GBL, which resulted in a reclassification of available-for-sale investments to fair value through profit or loss investments and has led to a reclassification of the investment revaluation reserves to retained earnings of $305 million.

Future Accounting Changes

The Corporation and its subsidiaries monitor changes in IFRS, both proposed and released, by the IASB and analyze the effect that changes in the standards may have on the consolidated financial statements when they become effective. There were no changes to the future accounting policies that could impact the Corporation and its subsidiaries in addition to the disclosure in the 2022 Annual MD&A and the Corporation's 2022 Consolidated Financial Statements.

Internal Control over Financial Reporting

The Corporation's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and that the preparation of financial statements for external purposes is in accordance with IFRS. The Corporation's management, under the supervision of the Chief Executive Officer and the Chief Financial Officer, is responsible for establishing and maintaining effective internal control over financial reporting. All internal control systems have inherent limitations and may become ineffective because of changes in conditions. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

As a management and holding company, the Corporation's business activities are carried out through its investments in businesses, each of which has its own management team. Accordingly, the Corporation's management relies on the certifications filed by management of Lifeco and IGM pursuant to National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*, as well as a sub-certification process by management at its other significant subsidiaries and investees in order to make determinations regarding the Corporation's disclosure controls and procedures and internal control over financial reporting.

There have been no changes in the Corporation's internal control over financial reporting during the three-month period ended March 31, 2023 which have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

LIMITATION ON DISCLOSURE CONTROLS AND PROCEDURES & INTERNAL CONTROL OVER FINANCIAL REPORTING

As permitted by securities legislation, for the period ended March 31, 2023, Lifeco's management has limited the scope of its design of Lifeco's disclosure controls and procedures and Lifeco's internal control over financial reporting to exclude controls, policies and procedures of the Prudential full-service retirement services business, which Lifeco acquired on April 1, 2022.

For the three months ended March 31, 2023, the acquired Prudential retirement services business had revenue of $639 million, net earnings of $43 million post-tax including negative impact of market experience gains and losses of $4 million, integration costs of $16 million post-tax and amortization of acquisition intangibles of $5 million post-tax. The initial amounts assigned to the assets acquired, goodwill and intangible assets on April 1, 2022 and reported as at March 31, 2023 were $124,988 million. The initial amounts assigned to the liabilities assumed on April 1, 2022 and reported as at March 31, 2023 were $122,329 million.

Power Financial Corporation

Power Financial relies on certain of the continuous disclosure documents filed by Power Corporation of Canada pursuant to an exemption from the requirements of National Instrument 51-102 – *Continuous Disclosure Obligations* (NI 51-102) and as provided in the decision of the Autorité des marchés financiers and the Ontario Securities Commission, dated January 19, 2021, regarding Power Financial and Power Corporation. The following disclosure is provided further to the requirements of such decision:

At March 31, 2023	Lifeco	IGM	Corporate and other[1]	Effect of consolidation	Total Power Financial	Total Power Corporation
Total assets	691,853	18,997	26,970	(20,506)	717,314	724,836
Total liabilities	662,816	12,614	3,867	(351)	678,946	683,893

For the three months ending March 31, 2023	Power Financial	Power Corporation
Cash flows from operations	(935)	(996)

[1] Includes Power Financial's investment activities including its investment in Portage Ventures I, Portage Ventures II and Wealthsimple.

Non-IFRS Financial Measures

NON-IFRS FINANCIAL MEASURES

This MD&A presents and discusses financial measures which are not in accordance with IFRS. Management uses these financial measures in its presentation and analysis of the financial performance of Power Corporation, and believes that they provide additional meaningful information to readers in their analysis of the results of the Corporation. The non-IFRS financial measures and non-IFRS ratios used in this MD&A are defined as follows:

Non-IFRS financial measure	Definition	Purpose
Adjusted net earnings	Net earnings excluding Adjustments.	Assists in the comparison of the current period's underlying operating performance to that of previous periods as it reflects management's view of the operating performance of the Corporation and its subsidiaries, excluding items that are not considered to be part of the underlying business results. As a holding company, management reviews and assesses the performance of each operating company's contribution to net earnings and adjusted net earnings.
Adjustments	After-tax impact of any item that in management's judgment, including those identified by management of its publicly traded operating companies, would make the period-over-period comparison of results from operations less meaningful. In the first quarter of 2023, management of Lifeco refined its definition of Adjustments. See the section "Change in the definition of Adjusted net earnings, a non-IFRS financial measure" in the section "Overview". Includes the Corporation's share of Lifeco's impact of market-related impacts, where actual market returns in the current period are different than longer-term expected returns on assets and liabilities, assumption changes and management actions that impact the measurement of assets and liabilities, realized gains (losses) on the sale of assets measured at FVOCI, direct equity and interest rate impacts on the measurement of surplus assets and liabilities and amortization of acquisition-related finite life intangible assets, as well as items that management believes are not indicative of the underlying business results which include those identified by a subsidiary or a jointly controlled corporation. Items that management and management of its subsidiaries believe are not indicative of the underlying business results include restructuring or reorganization costs, transaction and integration costs related to business acquisitions, material legal settlements, material impairment charges, impact of substantially enacted income tax rate changes and other tax impairments, certain non-recurring material items, and net gains, losses or costs related to the disposition or acquisition of a business.	Identifies items that are not considered part of operating performance by management, including items identified by management of its publicly traded operating companies.
Adjusted net asset value	Adjusted net asset value represents the fair value of the participating shareholders' equity of Power Corporation. Adjusted net asset value is calculated as the fair value of the assets of the combined Power Corporation and Power Financial holding company less their net debt and preferred shares. The investments held in publicly traded entities (including Lifeco, IGM and GBL) are measured at their market value and investments in private entities and investment funds are measured at management's estimate of fair value.	Presents the fair value of the participating shareholders' equity of the holding company and is used to assist in assessing value. This measure may be used by investors and analysts in determining or comparing the fair value of investments held by the holding company or its overall fair value.

Non-IFRS financial measure	Definition	Purpose
Consolidated assets and assets under management, and Consolidated assets and assets under administration	Consolidated assets and assets under management includes total assets per the financial statements as well as assets managed on behalf of clients which are beneficially owned by clients and are not recognized in the consolidated financial statements including: ▪ Internally and externally managed funds, including proprietary mutual funds, exchange-traded funds and institutional assets, where the Corporation's publicly traded operating companies and alternative asset investment platforms have oversight of the investment policies; and ▪ The fair value of assets managed on behalf of the clients by asset managers controlled within the investment platforms, including assets managed through a separately managed account. Services provided in respect of assets under management include the selection of investments, the provision of investment advice and discretionary portfolio management on behalf of clients. Consolidated assets and assets under administration includes consolidated assets under management and other assets under administration. Other assets under administration includes assets where the Corporation's consolidated publicly traded operating companies and investment management services businesses only provide administration services for which they earn fees and other income. These assets are beneficially owned by the clients and the Corporation's operating subsidiaries do not direct the investing activities. Services provided relating to assets under administration include record keeping, safekeeping, collecting investment income, settling of transactions or other administrative services.	Consolidated assets and assets under management and Consolidated assets and assets under administration provide an indicator of the size and volume of the Corporation's consolidated businesses, including the publicly traded operating companies and alternative asset investment platforms. Consolidated assets and assets under administration includes assets in which the Corporation's consolidated publicly traded operating companies and investment management services businesses only provide administration services, which are an important aspect of the overall business and should be considered when comparing volumes, size and trends.
Fee-related earnings (of alternative asset investment platforms)	Fee-related earnings is presented for Sagard and Power Sustainable and includes revenues from management fees earned across all asset classes, less i) fee-related compensation including salary, bonus, and benefits, and ii) operating expenses. Fee-related earnings is presented on a gross pre-tax basis, including non-controlling interests. Fee-related earnings excludes i) share-based compensation expenses, ii) amortization of acquisition-related intangibles, iii) foreign exchange-related gains and losses, iv) net interest, and v) other items that in management's judgment are not indicative of underlying operating performance of the alternative asset investment platforms, which include restructuring costs, transaction and integration costs related to business acquisitions and certain non-recurring material items.	This measure is presented for the alternative asset investment platforms, Sagard and Power Sustainable, and is used to assess the profitability from their asset management activities. This financial measure provides insight as to whether recurring revenues from management fees, which are not based on future realization events, are sufficient to cover associated operating expenses.

Non-IFRS ratio	Definition	Purpose
Adjusted net earnings per share	Earnings per share calculated using adjusted net earnings. Adjusted net earnings divided by the weighted average number of participating shares outstanding.	Assists in comparing adjusted net earnings on a per share basis; refer to "Adjusted net earnings" definition above.
Adjusted net asset value per share	Adjusted net asset value calculated on a per share basis. Adjusted net asset value divided by the number of participating shares outstanding.	Assists the reader in comparing the adjusted net asset value on a per share basis; refer to "Adjusted net asset value" definition above.

These non-IFRS financial measures do not have a standard meaning and may not be comparable to similar measures used by other entities.

RECONCILIATIONS OF IFRS AND NON-IFRS FINANCIAL MEASURES

Adjusted Net Earnings

The following table presents a reconciliation of adjusted net earnings, a non-IFRS financial measure, to net earnings reported in accordance with IFRS. Adjusted net earnings is presented in the section "Contribution to Net Earnings and Adjusted Net Earnings":

Three months ended	March 31, 2023	December 31, 2022 (restated)	March 31, 2022 (restated)
Adjusted net earnings – Non-IFRS financial measure [1]	514	378	442
Share of Adjustments [2], net of tax			
Lifeco	(145)	(278)	415
IGM	(2)	(11)	15
ChinaAMC	(54)	–	–
Sagard and Power Sustainable	–	–	(10)
	(201)	(289)	420
Net earnings – IFRS financial measure [1]	313	89	862

[1] Attributable to participating shareholders of Power Corporation.

[2] Refer to the section "Adjustments" for more detail on Adjustments from Lifeco, IGM, ChinaAMC, and Sagard and Power Sustainable.

Adjustments (Excluded from Adjusted Net Earnings)

The following table presents the Corporation's share of Adjustments on a pre- and post-tax basis:

Three months ended	March 31, 2023	December 31, 2022 (restated)	March 31, 2022 (restated)
Lifeco [1]			
Market experience gains and losses (pre-tax)	(142)	(261)	576
Income tax (expense) benefit	28	4	(119)
Assumption changes and management actions (pre-tax)	6	(30)	(13)
Income tax (expense) benefit	(1)	11	1
Transaction costs related to acquisitions (pre-tax)	–	(4)	(6)
Income tax (expense) benefit	–	–	1
Restructuring and integration charges (pre-tax)	(18)	(28)	(11)
Income tax (expense) benefit	5	7	3
Tax legislative changes impact	–	42	–
Amortization of acquisition-related finite life intangible assets (pre-tax)	(31)	(25)	(23)
Income tax (expense) benefit	8	6	5
	(145)	(278)	414
Effect of consolidation (pre-tax) [2]	–	–	1
Income tax (expense) benefit	–	–	–
	(145)	(278)	415
IGM [1]			
Gain on disposal of Lifeco shares (pre-tax)	112	–	–
Income tax (expense) benefit	(3)	–	–
	109	–	–
Effect of consolidation (pre-tax) [2]	(121)	(14)	19
Income tax (expense) benefit	10	3	(4)
	(2)	(11)	15
ChinaAMC			
Transaction costs on disposal of ChinaAMC (pre-tax)	(14)	–	–
Income tax (expense) benefit	–	–	–
Income taxes on disposal of ChinaAMC	(40)	–	–
	(54)	–	–
Sagard and Power Sustainable			
Impairment charges on direct investments in energy infrastructure (pre-tax)	–	–	(13)
Income tax (expense) benefit	–	–	3
	–	–	(10)
	(201)	(289)	420

[1] As reported by Lifeco and IGM.

[2] The Effect of consolidation reflects i) the elimination of intercompany transactions, including the gain recognized by IGM on the sale of a portion of its interest in Lifeco to the Corporation in the first quarter of 2023; ii) the application of the Corporation's accounting method for investments under common control to the Adjustments reported by Lifeco and IGM; iii) IGM's share of Lifeco's Adjustments, in accordance with the Corporation's definition of Adjusted net earnings; and iv) adjustments in accordance with IAS 39 for IGM for comparative periods presented prior to the Corporation's adoption of IFRS 9 on January 1, 2023.

Adjusted Net Asset Value

The following table presents a reconciliation of the participating shareholders' equity reported in accordance with IFRS to the adjusted net asset value, a non-IFRS financial measure. Adjusted net asset value is presented in the section "Adjusted Net Asset Value":

	March 31, 2023	December 31, 2022 (restated)
Participating shareholders' equity – IFRS financial measure		
Stated capital – participating shares	9,472	9,486
Retained earnings	9,350	9,099
Reserves	2,368	2,341
	21,190	20,926
Fair value adjustments [1]		
Lifeco	7,730	4,835
IGM	2,419	1,985
GBL	(1,022)	(926)
Alternative asset investment platforms	679	607
ChinaAMC	–	367
Other investments and standalone businesses	237	206
Adjustments to Other liabilities [1]	–	(37)
	10,043	7,037
Adjusted net asset value – Non-IFRS financial measure	31,233	27,963
Per share [2]		
Participating shareholders' equity (book value)	31.81	31.37
Adjusted net asset value	46.89	41.91

[1] Refer to the section "Adjusted Net Asset Value" for more details on the fair value and other adjustments.

[2] Attributable to participating shareholders.

Consolidated Assets and Assets Under Management and Consolidated Assets and Assets Under Administration

(In billions of dollars)	March 31, 2023	December 31, 2022 (restated)
Total consolidated assets per financial statements	725	704
Other assets under management	534	509
Total consolidated assets and assets under management	1,259	1,213
Other assets under administration	1,601	1,505
Total consolidated assets and assets under administration	2,860	2,718

Fee-related earnings (of alternative asset investment platforms)

The following table presents the reconciliation of the net earnings attributable to participating shareholders of Power Corporation in accordance with IFRS to the fee-related earnings of the alternative asset investment platforms, a non-IFRS financial measure. Fee-related earnings is presented in the section "Asset Management Activities" of the section "Sagard and Power Sustainable".

Three months ended	March 31, 2023	December 31, 2022 (restated)	March 31, 2022 (restated)
Net earnings attributable to participating shareholders of Power Corporation – IFRS financial measure	**313**	**89**	**862**
Excluding:			
Contribution to net earnings from Lifeco	(395)	(268)	(879)
Contribution to net earnings from IGM	(121)	(120)	(150)
Contribution to net earnings from GBL	(19)	(48)	(14)
Contribution to net earnings from Lifeco, IGM and GBL	(535)	(436)	(1,043)
Contribution to net earnings from the holding company [1]	129	62	94
Contribution to net earnings from Alternative Asset Investment Platforms and Other [1]	**(93)**	**(285)**	**(87)**
Excluding:			
Investing activities	66	176	65
Standalone businesses	5	102	(4)
Contribution to net earnings from Asset Management Activities	**(22)**	**(7)**	**(26)**
Adjustments:			
Sagard			
Non-controlling interests	(1)	(3)	(3)
Loss from private wealth platform and other asset management activities	2	1	3
Net carried interest	2	6	11
Share-based compensation	3	1	1
Depreciation and amortization on intangibles	–	1	–
Income taxes and other	2	(1)	–
Power Sustainable			
Loss from development and asset management activities provided by Potentia and Nautilus on behalf of PSEIP	6	4	2
Net performance fees and carried interest	(6)	(19)	–
Income taxes and other	(1)	–	–
	7	(10)	14
Fee-related earnings – Non-IFRS financial measure	**(15)**	**(17)**	**(12)**
Sagard	*(2)*	*(5)*	*(2)*
Power Sustainable	*(13)*	*(12)*	*(10)*

[1] In the second quarter of 2022, an allocation of certain expenses is included in the Corporation's other investing activities, which was previously presented in Power Sustainable. The comparative information has been restated to reflect these changes.

Other Measures

This MD&A also includes other measures, which include:

Term	Definition
Assets under management and administration	Operating asset management and investment management services businesses within the Power Group, including IGM, alternative asset managers and Wealthsimple, present the total value of assets managed or administered which are beneficially owned by clients and are not recognized in the consolidated financial statements. The composition of the assets under management and administration is relative to the activities of the asset managers and are further defined as follows:
Assets under management and advisement of IGM	Assets under management are client assets where IGM provides investment management services, and include investment funds where IGM is the fund manager, investment advisory mandates to institutions, and other client accounts where IGM has discretionary portfolio management responsibilities. Assets under advisement represents savings and investment products, including assets under management where IGM provides investment management services, held within client accounts of IGM's Wealth Management segment's operating companies.
Assets under management of alternative asset investment platforms	Assets under management of investment platforms include: ▪ Net asset value of the investment funds and co-investment vehicles managed, including unfunded commitments and unused permanent leverage; ▪ Gross asset value of investment funds managed within the real estate platform; and ▪ Fair value of assets managed on behalf of the Corporation and clients by asset managers controlled within the investment platforms, including assets managed through a separately managed account.
Assets under administration of Wealthsimple	Assets under administration includes the total value of assets held on behalf of clients and includes client assets in which investment management services are provided.
Book value per participating share	Represents Power Corporation's participating shareholders' equity divided by the number of participating shares outstanding at the end of the reporting period.
Carried interest	Carried interest is earned through a contractual arrangement between alternative asset managers and the funds managed in which the asset manager earns a fixed percentage of investment returns over a predetermined hurdle return.
Fee-bearing capital	Fee-bearing capital includes: ▪ Total capital commitments of venture capital & growth, private equity, and royalties funds during the investment period; ▪ Net invested capital of private credit funds and funds which have completed their investment period; ▪ Net asset value of Power Sustainable China, Power Sustainable Energy Infrastructure including direct investments in energy assets, and funds within the real estate platform; ▪ Invested capital or gross asset value of assets managed through separately managed accounts within the real estate platform; and ▪ Fair value of assets managed on behalf of clients by the wealth management platform.
Market capitalization	Represents the aggregate market value of a company. Market capitalization is determined at a point in time and represents the number of outstanding shares multiplied by the closing share price.
Net asset value reported by GBL	On a quarterly basis, GBL reports its net asset value as it represents an important criterion used in assessing its performance. GBL's net asset value represents the fair value of its investment portfolio, its gross cash and treasury shares, less its gross debt. GBL's investments held in listed entities are measured at their market value and its investments in private entities are measured using the recommendations of the International Private Equity and Venture Capital Valuation Guidelines, which represents GBL management's best estimate. Sienna Investment Managers' portfolio of investments is measured by adding all investments at fair value provided by the fund managers with Sienna Investment Managers' net cash, less its net debt. For more information on GBL's net asset value and valuation principles, refer to its website (www.gbl.be).
Net asset value of investment funds	Net asset value of investment funds represents the fair value of the investments held within the fund, net of any liabilities.
Net carried interest	Represents carried interest earned, net of direct employee costs which are usually recognized over the vesting period.
Unfunded commitments	Represents the capital that has been committed by limited partners, but not called by the fund. In some cases, unfunded commitments include distributions, which are recallable by the fund.

Summary of Quarterly Results

		IFRS 17/IFRS 9 Presentation				IFRS 4/IAS 39 Presentation [1]		
	2023				2022 (restated)			2021
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Total revenues [2]	13,472	11,584	1,614	(4,362)	(2,607)	19,475	18,584	19,318
Net earnings (attributable to participating shareholders)	313	89	643	601	862	626	741	994
per share – basic	0.47	0.14	0.96	0.89	1.28	0.93	1.09	1.47
per share – diluted	0.47	0.13	0.96	0.86	1.27	0.91	1.08	1.46
Adjusted net earnings (attributable to participating shareholders) [3]	514	378	521	642	442	676	748	1,020
per share – basic [3]	0.77	0.57	0.78	0.96	0.65	1.00	1.10	1.51
Adjustments [3, 4]	(201)	(289)	122	(41)	420	(50)	(7)	(26)
per share – basic [3]	(0.30)	(0.43)	0.18	(0.07)	0.63	(0.07)	(0.01)	(0.04)

[1] The 2021 quarterly results have not been restated to reflect the adoption of IFRS 17 and IFRS 9 and are therefore not comparable to the results in subsequent periods. Refer to the Corporation's 2022 Annual MD&A for the presentation of 2022 and 2021 quarterly results pre-adoption.

[2] Total revenues includes net investment income and change in fair value through profit or loss included in the net investment result on the consolidated statements of earnings.

[3] Adjusted net earnings attributable to participating shareholders and adjusted net earnings per share, and adjustments and adjustments per share are non-IFRS financial measures. For a definition of these non-IFRS financial measures, please refer to the section "Non-IFRS Financial Measures" in this MD&A.

[4] The Corporation's share of Lifeco, IGM and Sagard and Power Sustainable's Adjustments, including the effect of consolidation, and Adjustments of the Corporation including in relation to its investment in ChinaAMC are as follows:

		IFRS 17/IFRS 9 Presentation				IFRS 4/IAS 39 Presentation [1]		
	2023				2022 (restated)			2021
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Lifeco								
Pre-tax	(185)	(348)	153	(29)	524	(40)	(3)	(7)
Tax effect	40	70	(36)	(19)	(109)	2	9	(18)
	(145)	(278)	117	(48)	415	(38)	6	(25)
IGM								
Pre-tax	(9)	(14)	6	9	19	5	–	(1)
Tax effect	7	3	(1)	(2)	(4)	(2)	–	–
	(2)	(11)	5	7	15	3	–	(1)
ChinaAMC								
Pre-tax	(14)	–	–	–	–	–	–	–
Tax effect	(40)	–	–	–	–	–	–	–
	(54)	–	–	–	–	–	–	–
Sagard and Power Sustainable								
Pre-tax	–	–	–	–	(13)	(19)	–	–
Tax effect	–	–	–	–	3	4	–	–
	–	–	–	–	(10)	(15)	–	–
Corporate operations								
Pre-tax	–	–	–	–	–	–	(13)	–
Tax effect	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	(13)	–
	(201)	(289)	122	(41)	420	(50)	(7)	(26)

[1] The 2021 quarterly results have not been restated to reflect the adoption of IFRS 17 and IFRS 9 and are therefore not comparable to the results in subsequent periods. Refer to the Corporation's 2022 Annual MD&A for the presentation of 2022 and 2021 quarterly results pre-adoption.

Condensed Consolidated Balance Sheets

(unaudited) [in millions of Canadian dollars]	March 31, 2023	December 31, 2022 (restated)	January 1, 2022 (restated)
Assets			
Cash and cash equivalents	8,928	9,848	9,509
Investments [Note 5]			
Bonds	158,736	156,460	143,030
Mortgage and other loans	42,644	42,324	34,771
Shares	16,468	15,417	15,360
Investment properties	8,328	8,344	7,763
	226,176	222,545	200,924
Insurance contract assets [Note 8]	1,158	1,140	1,533
Reinsurance contract held assets [Note 9]	17,601	17,571	21,843
Derivative financial instruments	2,279	2,480	1,049
Investments in jointly controlled corporations and associates [Note 6]	6,822	6,516	7,424
Owner-occupied properties and capital assets	4,641	4,409	3,686
Other assets	27,418	27,572	22,612
Deferred tax assets	1,614	1,505	1,399
Intangible assets	8,395	8,316	7,607
Goodwill	14,658	14,617	12,994
Investments on account of segregated fund policyholders [Note 7]	405,146	387,882	357,419
Total assets	724,836	704,401	647,999
Liabilities			
Insurance contract liabilities [Note 8]	138,765	135,438	157,910
Investment contract liabilities	94,612	94,810	53,694
Reinsurance contract held liabilities [Note 9]	549	537	1,290
Obligations to securitization entities	4,573	4,610	5,058
Power Corporation's debentures and other debt instruments [Note 10]	647	647	647
Non-recourse debentures and other debt instruments [Note 11]	14,947	14,727	12,533
Derivative financial instruments	1,576	1,717	1,063
Other liabilities	21,866	22,168	16,884
Deferred tax liabilities	1,212	1,286	1,181
Insurance contracts on account of segregated fund policyholders [Note 7]	59,435	57,841	65,253
Investment contracts on account of segregated fund policyholders [Note 7]	345,711	330,041	292,166
Total liabilities	683,893	663,822	607,679
Equity			
Stated capital [Note 12]			
Non-participating shares	950	950	954
Participating shares	9,472	9,486	9,603
Retained earnings	9,350	9,099	8,520
Reserves	2,368	2,341	3,009
Total shareholders' equity	22,140	21,876	22,086
Non-controlling interests	18,803	18,703	18,234
Total equity	40,943	40,579	40,320
Total liabilities and equity	724,836	704,401	647,999

Condensed Consolidated Statements of Earnings

(unaudited) [in millions of Canadian dollars, except per share amounts]	Three months ended March 31, 2023	 2022 (restated)
Insurance service result		
Insurance revenue [Note 16]	5,037	4,780
Insurance service expenses [Note 17]	(3,995)	(3,737)
Net expense from reinsurance contracts	(342)	(362)
Total insurance service result	700	681
Net investment result [Note 5]		
Net investment income	2,155	1,419
Change in fair value through profit or loss	3,607	(11,307)
	5,762	(9,888)
Net finance income (expenses) from insurance contracts	(3,570)	8,227
Net finance income (expenses) from reinsurance contracts	93	(453)
Changes in investment contract liabilities	(1,882)	3,190
Net investment result	403	1,076
Net investment result – Insurance contracts on account of segregated fund policyholders		
Net investment income (loss)	1,721	(1,384)
Net finance income (expenses) from insurance contracts	(1,721)	1,384
Net investment result – Insurance contracts on account of segregated fund policyholders	–	–
Other revenues		
Fee income	2,532	2,386
Other	141	115
Total fee income and other revenues	2,673	2,501
Other expenses		
Operating and administrative expenses [Note 17]	2,899	2,473
Financing charges	191	141
Total other expenses	3,090	2,614
Earnings before investments in jointly controlled corporations and associates, and income taxes	686	1,644
Share of earnings of investments in jointly controlled corporations and associates [Note 6]	33	32
Earnings before income taxes	719	1,676
Income taxes [Note 19]	119	265
Net earnings	600	1,411
Attributable to		
Non-controlling interests	274	536
Non-participating shareholders	13	13
Participating shareholders	313	862
	600	1,411
Earnings per participating share [Note 21]		
Net earnings attributable to participating shareholders		
– Basic	0.47	1.28
– Diluted	0.47	1.27

Condensed Consolidated Statements of Comprehensive Income

(unaudited) [in millions of Canadian dollars]	Three months ended March 31, 2023	2022 (restated)
Net earnings	600	1,411
Other comprehensive income (loss)		
Items that may be reclassified subsequently to net earnings		
Net unrealized gains (losses) on fair value through other comprehensive income debt instruments		
Unrealized gains (losses)	185	(481)
Income tax (expense) benefit	(43)	95
Realized (gains) losses transferred to net earnings	36	12
Income tax expense (benefit)	(8)	–
	170	(374)
Net unrealized gains (losses) on available-for-sale investments		
Unrealized gains (losses)	–	(170)
Income tax (expense) benefit	–	18
Realized (gains) losses transferred to net earnings	–	64
Income tax expense (benefit)	–	(8)
	–	(96)
Net unrealized gains (losses) on cash flow hedges		
Unrealized gains (losses)	(1)	10
Income tax (expense) benefit	(8)	(5)
Realized (gains) losses transferred to net earnings	(28)	(7)
Income tax expense (benefit)	8	2
	(29)	–
Net unrealized foreign exchange gains (losses) on translation of foreign operations		
Unrealized gains (losses) on translation	137	(586)
Income tax (expense) benefit	5	4
Unrealized gains (losses) on hedges of net investments in foreign operations	(26)	130
Income tax (expense) benefit	2	(12)
	118	(464)
Share of other comprehensive income (losses) of investments in jointly controlled corporations and associates	68	(508)
Income tax (expense) benefit	6	3
	74	(505)
Total – items that may be reclassified	333	(1,439)
Items that will not be reclassified subsequently to net earnings		
Net unrealized gains (losses) on fair value through other comprehensive income equity instruments		
Unrealized gains (losses)	2	–
Income tax (expense) benefit	(2)	–
Realized (gains) losses transferred to retained earnings	18	–
	18	–
Share of other comprehensive income (losses) of investments in jointly controlled corporations and associates	155	–
Actuarial gains (losses) on defined benefit plans [Note 18]	(69)	598
Income tax (expense) benefit	14	(149)
	(55)	449
Total – items that will not be reclassified	118	449
Other comprehensive income (loss)	451	(990)
Comprehensive income	1,051	421
Attributable to		
Non-controlling interests	394	315
Non-participating shareholders	13	13
Participating shareholders	644	93
	1,051	421

Condensed Consolidated Statements of Changes in Equity

Three months ended March 31, 2023 (unaudited) [in millions of Canadian dollars]	Stated capital			Reserves				
	Non-participating shares	Participating shares	Retained earnings	Share-based compensation	Other comprehensive income [Note 20]	Total	Non-controlling interests	Total equity
Balance, beginning of year (restated)	950	9,486	9,099	378	1,963	2,341	18,703	40,579
Impact of initial application of IFRS 9 [Note 3]	–	–	282	–	(297)	(297)	(9)	(24)
Restated balance, beginning of year	950	9,486	9,381	378	1,666	2,044	18,694	40,555
Net earnings	–	–	326	–	–	–	274	600
Other comprehensive income	–	–	–	–	331	331	120	451
Comprehensive income	–	–	326	–	331	331	394	1,051
Subordinate voting shares purchased and cancelled under Normal Course Issuer Bid [Note 12]	–	(18)	(24)	–	–	–	–	(42)
Dividends to shareholders								
Non-participating shares	–	–	(13)	–	–	–	–	(13)
Participating shares	–	–	(350)	–	–	–	–	(350)
Dividends to non-controlling interests	–	–	–	–	–	–	(255)	(255)
Expense for share-based compensation [Note 13]	–	–	–	20	–	20	10	30
Stock options exercised	–	4	–	(25)	–	(25)	24	3
Effects of changes in capital and ownership of subsidiaries, and other	–	–	30	–	(2)	(2)	(64)	(36)
Balance, end of period	950	9,472	9,350	373	1,995	2,368	18,803	40,943

Condensed Consolidated Statements of Changes in Equity (continued)

Three months ended March 31, 2022 (unaudited) [in millions of Canadian dollars]	Stated capital			Reserves				
	Non-participating shares	Participating shares	Retained earnings	Share-based compensation	Other comprehensive income [Note 20]	Total	Non-controlling interests	Total equity
Balance, beginning of year	954	9,603	10,807	396	2,579	2,975	19,389	43,728
Impact of initial application of IFRS 17 [Note 3]	–	–	(3,348)	–	–	–	(2,004)	(5,352)
Impact of application of IFRS 9 overlay [Note 3]	–	–	1,061	–	34	34	849	1,944
Restated balance, beginning of year	954	9,603	8,520	396	2,613	3,009	18,234	40,320
Net earnings	–	–	875	–	–		536	1,411
Other comprehensive loss	–	–	–	–	(769)	(769)	(221)	(990)
Comprehensive income (loss)	–	–	875	–	(769)	(769)	315	421
Subordinate voting shares purchased and cancelled under Normal Course Issuer Bid and other [Note 12]	-	(67)	(212)	–	–	–	–	(279)
Repurchase of shares of the Corporation for cancellation	(4)	–	–	–	–	–	–	(4)
Dividends to shareholders								
Non-participating shares	–	–	(13)	–	–	–	–	(13)
Participating shares	–	–	(334)	–	–	–	–	(334)
Dividends to non-controlling interests	–	–	–	–	–	–	(247)	(247)
Expense for share-based compensation [Note 13]	–	–	–	20	–	20	13	33
Stock options exercised	–	51	–	(29)	–	(29)	24	46
Reclassification of options as cash-settled share-based payments	–	–	(54)	(39)	–	(39)	–	(93)
Effects of changes in capital and ownership of subsidiaries, and other	–	–	(30)	–	40	40	59	69
Balance, end of period	950	9,587	8,752	348	1,884	2,232	18,398	39,919

Condensed Consolidated Statements of Cash Flows

(unaudited) [in millions of Canadian dollars]	Three months ended March 31, 2023	 2022 (restated)
Operating activities		
Earnings before income taxes	719	1,676
Income tax paid, net of refunds	(158)	(240)
Adjusting items		
Change in insurance contract liabilities	2,837	(10,549)
Change in investment contract liabilities	(203)	(2,571)
Change in reinsurance contract held liabilities	7	1,260
Change in reinsurance contract held assets	22	469
Change in insurance contract assets	(69)	(189)
Change in fair value through profit or loss	(3,607)	11,307
Other	(544)	162
	(996)	1,325
Financing activities		
Dividends paid		
Subsidiaries to non-controlling interests	(254)	(248)
Non-participating shares	(13)	(13)
Participating shares	(330)	(335)
	(597)	(596)
Issue of equity		
Corporation's subordinate voting shares [Note 12]	3	46
Subsidiaries' common shares	91	75
Issuance of investment funds' limited-life and redeemable units	81	105
Repurchase or redemption of equity		
Corporation's subordinate voting shares for cancellation under normal course issuer bid [Note 12]	(42)	(175)
Corporation's non-participating shares	–	(4)
Subsidiaries' common shares	(22)	(26)
Redemption of investment funds' limited-life and redeemable units	(61)	(2)
Non-recourse debentures and other debt instruments [Note 11]		
Increase in other debt instruments	508	1,222
Decrease in other debt instruments	(377)	(37)
Repayment of lease liabilities	(28)	(30)
Increase in obligations to securitization entities	196	107
Repayments of obligations to securitization entities and other	(250)	(338)
	(498)	347
Investment activities		
Dispositions, repayments or maturities		
Bonds	7,022	7,839
Mortgage and other loans	1,059	1,068
Shares	1,000	1,833
Investment properties	2	5
Acquisitions or investments		
Bonds	(5,359)	(5,589)
Mortgage and other loans	(788)	(2,065)
Shares	(1,700)	(1,562)
Jointly controlled corporations and associates	(80)	(50)
Investment properties	(82)	(66)
Business acquisitions, net of cash and cash equivalents acquired	(127)	–
Acquisition of capital assets and other	(400)	(127)
	547	1,286
Effect of changes in exchange rates on cash and cash equivalents	27	(173)
Increase (decrease) in cash and cash equivalents	(920)	2,785
Cash and cash equivalents, beginning of year	9,848	9,509
Cash and cash equivalents, end of period	8,928	12,294
Net cash from operating activities includes		
Interest and dividends received	1,903	1,321
Interest paid	178	146

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

(ALL TABULAR AMOUNTS ARE IN MILLIONS OF CANADIAN DOLLARS, UNLESS OTHERWISE NOTED.)

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The following abbreviations are used in these Consolidated Financial Statements:

Canada Life	The Canada Life Assurance Company
ChinaAMC	China Asset Management Co., Ltd.
Empower	Empower Annuity Insurance Company of America
GBL	Groupe Bruxelles Lambert
IFRS	International Financial Reporting Standards
IGM or IGM Financial	IGM Financial Inc.
IG Wealth Management	Investors Group Inc.
Lifeco	Great-West Lifeco Inc.
Lion	The Lion Electric Co.
Mackenzie or Mackenzie Investments	Mackenzie Financial Corporation
MassMutual	Massachusetts Mutual Life Insurance Company
Northleaf	Northleaf Capital Group Ltd.
OSFI	Office of the Superintendent of Financial Institutions
Parjointco	Parjointco SA
Portage Ventures I	Portag3 Ventures Limited Partnership
Portage Ventures II	Portag3 Ventures II Limited Partnership
Portage Ventures III	Portage Ventures III Limited Partnership
Power Corporation or the Corporation	Power Corporation of Canada
Power Financial	Power Financial Corporation
Power Sustainable	Power Sustainable Capital Inc.
Prudential	Prudential Financial, Inc.
Sagard	Sagard Holdings Inc.
TSX	Toronto Stock Exchange
Wealthsimple	Wealthsimple Financial Corp.

NOTE 1 Corporate Information

Power Corporation of Canada is a publicly listed company (TSX: POW; POW.PR.E) incorporated and domiciled in Canada and located at 751 Victoria Square, Montréal, Quebec, Canada, H2Y 2J3.

Power Corporation is an international management and holding company that focuses on financial services in North America, Europe and Asia. Its core holdings are leading insurance, retirement, wealth management and investment businesses, including a portfolio of alternative asset investment platforms.

The unaudited Interim Condensed Consolidated Financial Statements (financial statements) of Power Corporation as at and for the three months ended March 31, 2023 were approved by its Board of Directors on May 15, 2023.

NOTE 2 Basis of Presentation and Summary of Material Accounting Policies

BASIS OF PRESENTATION

The financial statements of Power Corporation as at March 31, 2023 have been prepared in accordance with International Accounting Standard 34 – *Interim Financial Reporting* (IAS 34) using the same accounting policies as set out in Note 2 to the consolidated financial statements of the Corporation for the year ended December 31, 2022 except as described in the section Changes in Accounting Policies below.

The financial statements include the accounts of Power Corporation and its subsidiaries on a consolidated basis after elimination of intercompany transactions and balances and consolidation adjustments.

The financial statements of Power Corporation include, on a consolidated basis, the results of Power Financial, a reporting issuer in all of the provinces and territories of Canada, and Lifeco and IGM Financial, which are both public companies. The amounts shown on the consolidated balance sheets (balance sheets), consolidated statements of earnings (statements of earnings), consolidated statements of comprehensive income (statements of comprehensive income), consolidated statements of changes in equity (statements of changes in equity) and consolidated statements of cash flows (statements of cash flows) are mainly derived from the publicly disclosed consolidated financial statements of Lifeco and IGM Financial, all as at and for the three months ended March 31, 2023. Certain notes to Power Corporation's financial statements are derived from the notes to the financial statements of Lifeco and IGM Financial.

SUBSIDIARIES

Subsidiaries, including controlled investment funds, are entities the Corporation controls when: (i) the Corporation has power over the entity; (ii) it is exposed or has rights to variable returns from its involvement; and (iii) it has the ability to affect those returns through its use of power over the entity. Subsidiaries of the Corporation are consolidated from the date of acquisition, being the date on which the Corporation obtains control, and continue to be consolidated until the date such control ceases. The Corporation reassesses whether or not it controls an entity if facts and circumstances indicate there are changes to one or more of the elements of control listed above.

JOINTLY CONTROLLED CORPORATIONS AND ASSOCIATES

Jointly controlled corporations are entities in which unanimous consent is required for decisions relating to relevant activities. Associates are entities in which the Corporation exercises significant influence over the entity's operating and financial policies, without having control or joint control. Investments in jointly controlled corporations and associates are accounted for using the equity method. Under the equity method, the Corporation recognizes its share of net earnings (losses) and other comprehensive income (loss) of the jointly controlled corporations and associates, and dividends received.

In the case of investments in jointly controlled corporations and associates held by entities that meet the definition of a venture capital organization, the Corporation has elected to measure certain of its investments in jointly controlled corporations and associates at fair value through profit or loss.

NOTE 2 Basis of Presentation and Summary of Material Accounting Policies (continued)

PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED CORPORATIONS AND ASSOCIATES

The financial statements of Power Corporation include the operations of the following direct and indirect subsidiaries and investments in jointly controlled corporations and associates:

				% equity interest	
Corporation	Classification	Incorporated in	Primary business operation	March 31, 2023	December 31, 2022
Holding company					
Power Corporation of Canada	Parent	Canada	Holding company		
Power Financial Corporation	Subsidiary	Canada	Holding company	100.0	100.0
Publicly traded companies					
Great-West Lifeco Inc. [1][2]	Subsidiary	Canada	Financial services holding company	70.6	70.6
The Canada Life Assurance Company	Subsidiary	Canada	Insurance and wealth management	100.0	100.0
Irish Life Group Limited	Subsidiary	Ireland	Insurance and wealth management	100.0	100.0
Empower Annuity Insurance Company of America	Subsidiary	United States	Financial services	100.0	100.0
Putnam Investments, LLC [3]	Subsidiary	United States	Asset management company	96.4	96.4
IGM Financial Inc. [4]	Subsidiary	Canada	Wealth and asset management	66.0	66.1
IG Wealth Management	Subsidiary	Canada	Financial services	100.0	100.0
Mackenzie Financial Corporation	Subsidiary	Canada	Asset management company	100.0	100.0
China Asset Management Co., Ltd. [2]	Associate	China	Asset management company	27.8	27.8
Northleaf Capital Group Ltd. [5]	Associate	Canada	Alternative asset manager	70.0	70.0
Parjointco SA	Joint control	Belgium	Holding company	50.0	50.0
Groupe Bruxelles Lambert [6]	Subsidiary	Belgium	Holding company	29.8	29.8
Alternative asset investment platforms and other					
Power Sustainable Capital Inc.	Subsidiary	Canada	Alternative asset manager	100.0	100.0
Power Sustainable Energy Infrastructure Partnership [7]	Subsidiary	Canada	Renewable energy fund	54.1	54.3
Potentia Renewables Inc.	Subsidiary	Canada	Renewable energy	100.0	100.0
Nautilus Solar Energy, LLC	Subsidiary	United States	Renewable energy	100.0	100.0
Sagard Holdings Inc.	Subsidiary	Canada	Holding company	100.0	100.0
Sagard Holdings Management Inc. [8]	Subsidiary	Canada	Alternative asset manager	86.0	87.8
Wealthsimple Financial Corp. [9]	Subsidiary	Canada	Financial services	54.2	54.3
Portag3 Ventures LP [10]	Subsidiary	Canada	Venture capital fund	100.0	100.0
Portag3 Ventures II LP [11]	Subsidiary	Canada	Venture capital fund	27.9	27.9
Portage Ventures III LP [12]	Subsidiary	Canada	Venture capital fund	15.4	15.4
Sagard NewGen	Subsidiary	France	Private equity fund	26.3	26.3
Standalone Businesses					
LMPG Inc.	Subsidiary	Canada	Sustainable energy	49.6	49.6
Peak Achievement Athletics Inc.	Joint control	Canada	Manufacturer of sports equipment and apparel	42.6	42.6
The Lion Electric Co.	Associate	Canada	Manufacturer of zero-emission vehicles	34.5	35.4

[1] Power Financial holds a 68.2% equity interest and IGM Financial holds a 2.4% equity interest in Lifeco (66.6% and 4.0%, respectively, at December 31, 2022).
[2] On January 12, 2023, the Corporation and IGM completed a transaction under which the interest in ChinaAMC was combined under IGM Financial (13.9% held respectively by Power Corporation and Mackenzie Investments at December 31, 2022). In a separate agreement, IGM sold approximately 15.2 million common shares of Lifeco, representing a 1.6% equity interest in Lifeco, to Power Financial.
[3] Lifeco holds 100% of the voting shares and 96.4% of the total outstanding shares (96.4% at December 31, 2022).
[4] Power Financial holds a 62.1% equity interest and Canada Life holds a 3.9% equity interest in IGM Financial (62.2% and 3.9%, respectively, at December 31, 2022).
[5] Represents a 49.9% non-controlling voting interest. Held through an acquisition vehicle 80% owned by Mackenzie Investments and 20% by Lifeco.
[6] Parjointco has a controlling interest in GBL and holds 44.0% of the voting interest.
[7] Power Corporation holds a 39.2% equity interest and Lifeco holds a 14.9% equity interest in Power Sustainable Energy Infrastructure Partnership (39.4% and 14.9%, respectively, at December 31, 2022).
[8] Power Corporation and Lifeco hold an equity interest of 79.0% and 7.0%, respectively, in Sagard Holdings Management Inc. (80.9% and 6.9%, respectively, at December 31, 2022).
[9] Power Financial, Portage Ventures I and IGM Financial hold an equity interest of 13.5%, 10.8% and 29.9%, respectively, in Wealthsimple (13.5%, 10.8% and 30.0%, respectively, at December 31, 2022).
[10] Power Financial holds a 63.0% equity interest and Lifeco and IGM Financial each hold an equity interest of 18.5% in Portage Ventures I.
[11] Power Financial, Lifeco and IGM Financial each hold an equal equity interest of 7.7% and Sagard holds a 4.7% equity interest in Portage Ventures II.
[12] Sagard, Lifeco and IGM Financial hold an equity interest of 2.4%, 9.0% and 4.0%, respectively, in Portage Ventures III.

NOTE 2 Basis of Presentation and Summary of Material Accounting Policies (continued)

CHANGES IN ACCOUNTING POLICIES

The Corporation and its subsidiaries adopted IFRS 17, *Insurance Contracts* (IFRS 17) and IFRS 9, *Financial Instruments* (IFRS 9), which replaced IFRS 4, *Insurance Contracts* (IFRS 4) and IAS 39, *Financial Instruments: Recognition and Measurement* (IAS 39), respectively, on their effective date of January 1, 2023. The Corporation has also applied IFRS 9 as at January 1, 2023 when applying the equity method of accounting to GBL's results.

IFRS 17, which impacted only Lifeco due to its insurance activities, establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts. Under IFRS 17, groups of contracts are measured by Lifeco at the estimate of the present value of fulfillment cash flows, adjusted for an explicit risk adjustment for non-financial risk and the contractual service margin (CSM).

IFRS 9 includes changes to the accounting of financial instruments for the following:

i) classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
ii) impairment based on an expected loss model; and
iii) hedge accounting that incorporates the risk management practices of an entity.

The accounting policies materially impacted by the adoption of IFRS 17 and IFRS 9 are described below.

The Corporation also adopted the amendments to IFRS for IAS 1, *Presentation of Financial Statements*, IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* and IAS 12, *Income Taxes* effective January 1, 2023. The adoption of these amendments did not have a material impact on the Corporation's financial statements.

MATERIAL ACCOUNTING POLICIES

The following describes the accounting policies materially impacted by the adoption of IFRS 17 and IFRS 9.

ACCOUNTING POLICIES IMPACTED BY IFRS 9

Under IFRS 9, a financial asset is measured at fair value on initial recognition and is classified and subsequently measured as fair value through profit or loss (FVPL), fair value through other comprehensive income (FVOCI), or amortized cost based upon the Corporation's or its subsidiaries' business models for managing these assets and the contractual cash flow characteristics of these assets.

EQUITY INSTRUMENTS

Investments in shares are classified on initial recognition as FVPL unless an irrevocable designation is made to classify an individual instrument as FVOCI. The cumulative gains or losses related to FVOCI equity instruments are not reclassified to the statements of earnings on disposal but rather reclassified to retained earnings when the investment is sold.

DEBT INSTRUMENTS

Business models are determined at the level that reflects how groups of financial assets are managed together to achieve business objectives.

A financial asset is classified as FVOCI if it meets the following criteria and is not designated as FVPL:

i) it is held in a business model whose objective is to hold to collect contractual cash flows and sell financial assets; and
ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

A financial asset is classified as amortized cost if it meets the following criteria and is not designated as FVPL:

i) it is held in a business model whose objective is to hold to collect contractual cash flows; and
ii) its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

FVOCI investments are recognized at fair value on the balance sheets with unrealized gains and losses recorded in the statements of comprehensive income. Realized gains and losses on FVOCI debt investments are reclassified from other comprehensive income and recorded in the statements of earnings when the investment is sold.

NOTE 2 Basis of Presentation and Summary of Material Accounting Policies (continued)

Any financial asset that does not qualify for measurement at amortized cost or FVOCI is classified as FVPL. For financial instruments that meet the amortized cost or FVOCI criteria, the Corporation and its subsidiaries may designate, at initial recognition, such financial instruments as FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Investments measured as FVPL are recognized at fair value on the balance sheets with realized and unrealized gains and losses recorded in the statements of earnings.

Interest income earned on bonds and mortgage and other loans is calculated using the effective interest method and is recorded as net investment income in the statements of earnings.

FAIR VALUE MEASUREMENT

The Corporation and its subsidiaries maximize the use of observable inputs when measuring fair value. The following is a description of the methodologies used to value instruments carried at fair value.

Bonds at fair value through profit or loss and fair value through other comprehensive income

Fair values for bonds measured as FVPL or FVOCI are determined with reference to quoted market bid prices primarily provided by third-party independent pricing sources. Where prices are not quoted in an active market, fair values are determined by valuation models. The Corporation and its subsidiaries obtain quoted prices in active markets, when available, for identical assets at the balance sheet date to measure bonds at fair value in its FVPL and FVOCI portfolios.

The Corporation and its subsidiaries estimate the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Mortgages and other loans at fair value through profit or loss and fair value through other comprehensive income

There are no market-observable prices for mortgage and other loans; therefore, fair values for mortgage and other loans are determined by discounting expected future cash flows using current market rates for similar instruments. Valuation inputs typically include benchmark yields and risk-adjusted spreads based on current lending activities and market activity.

Equity-release mortgages at fair value through profit or loss

There are no market-observable prices for equity-release mortgages; Lifeco uses an internal valuation model which is based on discounting expected future cash flows and considering the embedded no-negative-equity guarantee. Inputs to the model include market-observable inputs such as benchmark yields and risk-adjusted spreads. Non-market-observable inputs include property growth and volatility rates, expected rates of voluntary redemptions, death, moving to long-term care and interest cessation assumptions and the value of the no-negative-equity guarantee.

Shares at fair value through profit or loss and fair value through other comprehensive income

Fair values of publicly traded shares are generally determined by the last bid price for the security from the exchange where it is principally traded. Fair values of shares for which there is no active market are typically based upon alternative valuation techniques such as discounted cash flow analysis, review of price movement relative to the market and utilization of information provided by the underlying investment manager. The Corporation and its subsidiaries obtain quoted prices in active markets, when available, for identical assets at the balance sheet date to measure shares at fair value in its fair value through profit or loss portfolio.

NOTE 2 Basis of Presentation and Summary of Material Accounting Policies (continued)

HEDGE ACCOUNTING

As permitted under IFRS 9, the Corporation and its subsidiaries elected to continue to apply the hedge accounting principles under IAS 39 instead of those under IFRS 9. The accounting policy for hedge accounting is disclosed in the notes to the consolidated financial statements of the Corporation for the year ended December 31, 2022.

EXPECTED CREDIT LOSSES

Under IFRS 9, expected credit loss (ECL) allowances are recognized on all financial assets, except for financial assets classified or designated as FVPL and equity instruments designated as FVOCI. The ECL model under IFRS 9 replaces the incurred loss model under IAS 39.

The Corporation and its subsidiaries measure loss allowances at either a 12-month ECL or lifetime ECL. A 12-month ECL results from any default events that could potentially occur within the 12 months following the reporting date. A 12-month ECL is calculated for financial assets that are determined to have low credit risk or a credit risk that has not increased significantly since initial recognition. A lifetime ECL results from all possible default events over the expected life of the financial asset, which is the maximum contractual period over which the Corporation or its subsidiaries are exposed to the credit risk. A lifetime ECL is recognized for financial assets that have experienced a significant increase in credit risk since initial recognition or when there is objective evidence of impairment.

Measurement of Expected Credit Losses

The ECL allowance is based on a probability-weighted estimate of credit losses expected as a result of defaults over the relevant time period as prescribed under the ECL model. The measurement of ECL for a financial asset is based primarily on the exposure at default, the probability of default, and the loss given default. The measurement of ECL allowances requires the use of judgment and assumptions.

For performing financial assets, the ECL is calculated as the present value of all cash shortfalls, which are the difference between cash flows due to the Corporation and its subsidiaries and the cash flows expected to be received. For financial assets that are impaired, the ECL is calculated as the difference between the carrying value of the asset and the present value of estimated future cash flows. Financial assets that are subject to ECL allowances are categorized into three stages:

Category	Description
Stage 1	Performing financial assets that have not experienced a significant increase in credit risk since initial recognition or have low credit risk are categorized into stage 1. A 12-month ECL allowance is calculated for stage 1 financial assets. To assess if credit risk has increased significantly, the Corporation and its subsidiaries compare the risk of default at initial recognition to the risk as at the current reporting date.
Stage 2	Performing financial assets that have experienced a significant increase in credit risk since initial recognition are categorized into stage 2. A lifetime ECL allowance is calculated for stage 2 financial assets. Financial assets are assessed for a significant increase in credit risk on an individual basis, utilizing the Corporation and its subsidiaries' internal credit risk rating system and the monitoring of timely payments on the assets. Financial assets that have contractual payments more than 30 days past due are generally presumed to have experienced a significant increase in credit risk and are included in stage 2. A financial asset in stage 2 can revert to stage 1 if the credit risk subsequently improves.
Stage 3	Impaired financial assets are categorized into stage 3 and require a lifetime ECL allowance. Financial assets are reviewed on an individual basis at the end of each reporting period to determine whether there is any objective evidence of impairment. The Corporation and its subsidiaries consider various factors in the impairment evaluation process, including, but not limited to, the financial condition of the issuer, specific adverse conditions affecting an industry or region, decline in fair value not related to interest rates, bankruptcy or defaults, and delinquency in payments of interest or principal. Financial assets are deemed to be impaired when there is no longer reasonable assurance of collection. The fair value of a financial asset is not a definitive indicator of impairment, as it may be significantly influenced by other factors, including the remaining term to maturity and liquidity of the asset; however, market price is taken into consideration when evaluating impairment.

NOTE 2 Basis of Presentation and Summary of Material Accounting Policies (continued)

Presentation of Expected Credit Losses

The ECL allowance for financial assets classified as FVOCI is recognized in the statements of comprehensive income and does not reduce the carrying value of the asset. Financial assets classified as amortized cost are presented net of the ECL allowance in the balance sheets.

When there is no expectation of recovery, the Corporation and its subsidiaries will partially or fully write off a financial asset against the related allowance for credit loss. Losses arising from impairment are reclassified from other comprehensive income to net earnings. Financial assets that are written off could still be subject to enforcement activities. In subsequent periods, any recoveries of amounts previously written off are credited to the provision for credit losses and are recognized as net investment income in the statements of earnings.

ACCOUNTING POLICIES IMPACTED BY IFRS 17

CONTRACT CLASSIFICATION

Insurance Contracts

Insurance contracts are identified as arrangements where Lifeco accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or beneficiary of the contract for specified uncertain future events that adversely affect the policyholder and whose amount and timing is unknown.

Lifeco determines whether a contract contains significant insurance risk by assessing if an insured event could cause Lifeco to pay to the policyholder additional amounts that are significant in any single scenario with commercial substance, even if the insured event is extremely unlikely or the expected present value of the contingent cash flows is a small proportion of the expected present value of the remaining cash flows from the insurance contract. In making this assessment, Lifeco considers all its substantive rights and obligations, whether they arise from contract, law or regulation.

When Lifeco issues insurance contracts to compensate another entity for claims arising from one or more insurance contracts issued by that other entity, the associated contracts are reinsurance contracts issued, which is part of insurance contracts issued.

Reinsurance Contracts Held

Lifeco enters into arrangements to transfer insurance risk, along with the respective premiums, to one or more reinsurers that will share the risks. To the extent that assuming reinsurers are unable to meet their obligations, Lifeco remains liable to its policyholders for the portion reinsured. Contracts of this nature are defined as reinsurance contracts held.

SEPARATING COMPONENTS FROM INSURANCE AND REINSURANCE CONTRACTS

At inception, the following components from an insurance or reinsurance contract held are separated and accounted for as if they were standalone financial instruments:

- Embedded derivatives: derivatives embedded in the contract which have economic characteristics and risks that are not closely related to those of the host contract, and which have terms that would not meet the definition of an insurance or reinsurance contract held as a standalone instrument; and
- Distinct investment components: investment components that are not highly interrelated with the insurance components and for which contracts with equivalent terms are sold, or could be sold, separately in the same market or the same jurisdiction.

After separating any financial instrument components, Lifeco also separates any promises to transfer distinct goods or non-insurance services to policyholders and accounts for them as separate contracts with customers in accordance with IFRS 15, *Revenue from Contracts with Customers*. A good or service is distinct if the policyholder can benefit from it either on its own or with other resources that are readily available to the policyholder. A good or service is not distinct and is accounted for together with the insurance component if the cash flows and risks associated with the good or service are highly interrelated with the cash flows and risks associated with the insurance component, and Lifeco provides a significant service of integrating the good or service with the insurance component.

NOTE 2 Basis of Presentation and Summary of Material Accounting Policies (continued)

LEVEL OF AGGREGATION

The level of aggregation for insurance contracts issued is determined by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. Lifeco has defined portfolios of insurance contracts issued based on its product lines. Portfolios are further disaggregated into groups of contracts that are issued within an annual period (typically a financial year) and are further divided into: onerous contracts and all other contracts. An insurance contract is onerous if, at the date of initial recognition, the estimated fulfillment cash flow expectations determined on a probability-weighted basis is a net outflow. Lifeco's evaluation of whether contracts are onerous is based on reasonable and supportable information.

In determining groups of contracts, Lifeco has elected to include in the same group contracts where its ability to set prices or levels of benefits for policyholders with different characteristics is constrained by regulation. Contracts are aggregated into groups once they have been initially recognized.

Lifeco has defined portfolios of reinsurance contracts held based on the portfolios of the underlying insurance contracts issued. Groups of reinsurance contracts held that are entered into within an annual period (typically a financial year) are divided based on whether they are in a net gain or net loss position at initial recognition.

Some reinsurance contracts held provide cover for underlying contracts that are included in different groups. However, these contracts' legal form of a single contract reflects the substance of Lifeco's contractual rights and obligations, considering that the different remaining coverages lapse together and are not sold separately. As a result, the reinsurance contract held is not separated into multiple insurance components that relate to different underlying groups.

INITIAL RECOGNITION

A group of insurance contracts that it had issued is recognized from the earliest of:

- The beginning of the coverage period of the group of contracts;
- The date when the first payment from a policyholder in the group becomes due or when the first payment is received if there is no due date; and
- For a group of onerous contracts, when the group becomes onerous if facts and circumstances indicate there is such a group.

A group of reinsurance contracts held is recognized on the following date:

- Reinsurance contracts held initiated by Lifeco that provide proportionate coverage: the date on which any underlying insurance contract is initially recognized;
- Other reinsurance contracts held initiated by Lifeco: the beginning of the coverage period of the group of reinsurance contracts. However, if Lifeco recognizes an onerous group of underlying insurance contracts on an earlier date and the related reinsurance contract held was entered into before that earlier date, then the group of reinsurance contracts held is recognized on that earlier date; and
- Reinsurance contracts held that are acquired by Lifeco: the date of acquisition.

NOTE 2 Basis of Presentation and Summary of Material Accounting Policies (continued)

CONTRACT BOUNDARIES

The measurement of a group of insurance and reinsurance contracts held includes all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of a contract if they arise from substantive rights and obligations that exist during the reporting period in which Lifeco can compel the policyholder to pay the premiums (or is compelled to pay amounts to a reinsurer), or in which Lifeco has a substantive obligation to provide the policyholder with services (or receive services from a reinsurer). A substantive obligation to provide services ends when:

- Lifeco has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks, or
- Both the following criteria are satisfied:
  - Lifeco has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio; and
  - The pricing of the premiums for coverage up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

For reinsurance contracts held, a substantive obligation to receive services ends when the reinsurer has the practical ability to reassess the risk transferred to it and, as a result, can set a price or level of benefits that fully reflects those risks, or the reinsurer has the substantive right to terminate the coverage.

For insurance contracts with renewal periods, Lifeco assesses whether premiums and related cash flows that arise from the renewed contract are within the contract boundary. The pricing of renewals is established by Lifeco after considering the risks and terms of coverage for the policyholder, with reference to the pricing of contracts with equivalent risks and terms on the renewal dates. Lifeco reassesses the contract boundary of each group at the end of each reporting period.

Liabilities or assets relating to expected premiums or claims outside the boundary of the insurance contract are not recognized. Such amounts relate to future insurance contracts.

MEASUREMENT OF INSURANCE CONTRACTS

There are three measurement models provided by IFRS 17 to measure insurance contracts:

- The General Measurement Model;
- The Variable Fee Approach; and
- The Premium Allocation Approach.

GENERAL MEASUREMENT MODEL (GMM)

The model is applied to Lifeco's medium- to long-term insurance products, such as individual protection, payout annuities, and longevity swaps.

Initial Measurement

On initial recognition, a group of insurance contracts is measured as the total of the fulfillment cash flows and the CSM.

Fulfillment cash flows

Fulfillment cash flows comprise probability-weighted estimates of future cash flows, discounted to reflect the time value of money and the associated financial risks, plus a risk adjustment for non-financial risk.

Lifeco estimates future contractual cash flows within the contracts' boundaries by considering evidence from current and past conditions, as well as possible future conditions, to reflect market and non-market variables impacting the valuation of cash flows. The estimates of these cash flows are based on probability-weighted expected values that reflect the average of a full range of possible outcomes and include an explicit risk adjustment for non-financial risk. The risk adjustment is the compensation Lifeco receives in fulfilling an insurance contract that arises from uncertainties surrounding the amount and timing of cash flows for non-financial risks. The non-financial risk assumptions are mortality, longevity, morbidity, lapse, and expense. Estimates and assumptions are reviewed periodically for appropriateness in reflecting current, past, and future conditions.

NOTE 2 Basis of Presentation and Summary of Material Accounting Policies (continued)

When estimating fulfillment cash flows, Lifeco includes all cash flows that are within the contract boundary including:

- Premiums and related cash flows;
- Claims and benefits, including reported claims not yet paid, incurred claims not yet reported and expected future claims;
- Premium and other transaction-based taxes and cash flows from loans to policyholders;
- Insurance acquisition cash flows which are allocated to groups of contracts on a systematic and rational basis;
- Other fixed and variable expenses directly attributable to the fulfillment of insurance contracts;
- Investment expenses incurred in investment activities related to underlying items such as universal life funds and segregated fund account balances that are also included in the fulfillment cash flows; and
- The impact of funds withheld for reinsurance contracts issued to manage credit risk.

Contractual service margin

The CSM of a group of insurance contracts represents the unearned profit that Lifeco expects to recognize in the future as it provides services under those contracts.

On initial recognition of a group of insurance contracts, if the total of the fulfillment cash flows, any derecognized assets for insurance acquisition cash flows and any cash flows arising at that date is a net inflow, the group of contracts is non-onerous. In this case, the CSM is measured as the equal and opposite amount of the net inflow, which results in no net income or expenses arising on initial recognition.

Discount rates

Lifeco measures time value of money using discount rates that are consistent with observable market prices and reflect the liquidity characteristics of the insurance contracts. They exclude the effect of factors that influence such observable market prices but do not affect the future cash flows of the insurance contracts (e.g., credit risk).

Lifeco applies the top-down approach for insurance contract liabilities with backing assets. Under this approach, discount rates are estimated by starting from the yield curve implied in a reference portfolio of assets that closely reflects the duration, currency, and liquidity characteristics of the insurance cash flows, and then excluding the effects of risks (e.g., credit risk) present in the cash flows from the financial instruments that are part of the reference portfolio, but not in the insurance contract cash flows. Lifeco uses the fixed income assets supporting the insurance contract liabilities as the reference portfolio to determine the discount rates in the observable period, while the discount rates in the unobservable period are based on an ultimate investment rate. In situations where the fixed income assets supporting the insurance contract liabilities do not appropriately reflect the illiquidity characteristics of the liability, an additional adjustment is made to the discount rate.

In cases where there are no backing assets, Lifeco applies the bottom-up approach to set the discount rate. This approach uses a risk-free rate, plus a spread to reflect the liquidity characteristics of the liability. Risk-free rates are determined by reference to highly liquid government securities in the currency of the insurance contract liability, and the spread is derived from an external benchmark.

Risk adjustment

The risk adjustment for non-financial risk represents the compensation that Lifeco requires for bearing uncertainty in the amount and timing of insurance contract cash flows due to non-financial risk.

Lifeco estimates the probability distribution of each non-financial risk and applies a diversification matrix to derive the confidence level of the risk adjustment. Lifeco has a target confidence level between the 85th to 90th percentile. Risk adjustment is calculated by applying a margin to the non-financial assumptions.

NOTE 2 Basis of Presentation and Summary of Material Accounting Policies (continued)

Insurance acquisition cash flows

Insurance acquisition cash flows arise from selling and underwriting activities required to initiate a group of contracts.

Any assets or liabilities for insurance acquisition cash flows recognized before the corresponding insurance contracts are recognized and included in the carrying amount of the related groups of insurance contracts issued. Judgments are applied by management of Lifeco to determine which costs are directly attributable to the issuance of a group of contracts and the portion of those costs that are allocated to groups of contracts arising from expected renewals.

The asset for insurance acquisition cash flows is tested for impairment annually or more frequently if facts and circumstances indicate that impairment may have occurred. In testing for impairment, the carrying value of the asset is compared to the expected net cash inflow for the related group of insurance contracts.

Additionally, if a portion of the asset for insurance acquisition cash flows has been allocated to future renewals of the related group of contracts, the carrying value of the asset is compared to the expected net cash inflow for those expected renewals. If the carrying value exceeds the expected net cash inflows described above, a loss is recognized in the insurance service result. In the event that facts and circumstances indicate the asset for insurance acquisition cash flows is no longer impaired, the impairment loss, or a portion thereof, is reversed.

Subsequent Measurement

The carrying amount of a group of insurance contracts at each reporting date is the sum of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises the fulfillment cash flows that relate to services that will be provided under the contracts in future periods and any remaining CSM at that date. The liability for incurred claims comprises the fulfillment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported.

The fulfillment cash flows for groups of insurance contracts are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of risk adjustment for non-financial risk.

For a group of insurance contracts, the carrying amount of the CSM of the group at the end of the reporting period equals the carrying amount at the start of the reporting period, adjusted for:

- The CSM of any new contracts that are added to the group in the period;
- Interest accreted on the carrying amount of the CSM during the period, measured at the discount rates on nominal cash flows that do not vary based on the returns on any underlying items determined on initial recognition;
- The changes in fulfillment cash flows that relate to future services (measured using initial recognition discount rates), except to the extent that:
  - Any increases in the fulfillment cash flows that exceed the carrying amount of the CSM, in which case the excess is recognized as a loss in the statements of earnings and creates a loss component; or
  - Any decreases in the fulfillment cash flows are allocated to the loss component, reversing losses previously recognized in the statements of earnings;
- The effect of any currency exchange differences on the CSM; and
- The amount recognized as insurance revenue because of the services provided in the period.

The changes in fulfillment cash flows relating to future services that adjust the CSM comprise:

- Experience adjustments arising from premium and premium-related cash flows received in the period that relate to future services;
- Changes in both estimates of the present value of future cash flows and risk adjustment in the liability for remaining coverage, measured at the discount rates determined on initial recognition, except for those that relate to the effects of the time value of money and financial risk changes; and
- Differences between any investment components not separated from the contract expected to become payable in the period (after allowing for financial experience variance) and the actual investment component that becomes payable in the period, measured at the discount rates determined on initial recognition.

NOTE 2 Basis of Presentation and Summary of Material Accounting Policies (continued)

Changes in expected future discretionary cash flows are regarded as an assumption relating to future services and accordingly adjust the CSM.

Changes in fulfillment cash flows that relate to current or past service are recognized in the statements of earnings as part of the insurance service result. Changes that relate to the effects of the time value of money and financial risk are recognized in insurance finance income or expenses.

VARIABLE FEE APPROACH (VFA)

This model is applied to Lifeco's contracts with direct participating features such as participating insurance and segregated fund business with insurance guarantees, where an investment return is provided to the policyholder based on a defined pool of items (e.g., a portfolio of assets).

Recognition

An insurance contract is recognized under the variable fee approach if it meets all of the following conditions at initial recognition:

- The policyholder participates in a share of a clearly identified pool of underlying items;
- Lifeco expects to pay the policyholder an amount equal to a substantial share of the returns from the underlying items; and
- The substantial proportion of the cash flows Lifeco expects to pay to the policyholder is expected to vary with cash flows from the underlying items.

Lifeco performs the test for variable fee approach qualification at initial recognition.

Initial Measurement

Similar to the general measurement model, the variable fee approach initially measures the insurance contract liabilities as the fulfillment cash flows plus CSM.

Subsequent Measurement

For a group of insurance contracts applying the VFA, the carrying amount of the CSM of the group at the end of the reporting period equals the carrying amount at the beginning of the reporting period adjusted for the following:

- The effect of any new contracts added to the group;
- Lifeco's share of the change in the fair value of the underlying items, except to the extent that:
  - Lifeco has a previously documented risk management objective and strategy for using derivatives to mitigate financial risk arising from the insurance contracts, as it does for the insured assets contracts;
  - Lifeco's share of a decrease in the fair value of the underlying items exceeds the carrying amount of the contractual service margin, giving rise to a loss; or
  - Lifeco's share of an increase in the fair value of the underlying items reverses the amount previously recognized as a loss;
- The changes in fulfillment cash flows, relating to future service, except to the extent that:
  - Lifeco has a previously documented risk management objective and strategy for using derivatives to mitigate financial risk arising from the insurance contracts, as it does for insured assets contracts;
  - Such increases in the fulfillment cash flows exceed the carrying amount of the contractual service margin, giving rise to a loss; or
  - Such decreases in the fulfillment cash flows are allocated to the loss component of the liability for remaining coverage;
- The effect of any currency exchange differences on the CSM; and
- The amount recognized as insurance revenue because of the services provided in the period.

Risk Mitigation

Lifeco mitigates the financial risks created by guarantees embedded in some of its insurance contracts with direct participation features through the use of derivatives. The derivatives are in the scope of IFRS 9 with changes in their fair value reflected in the statements of earnings. In applying risk mitigation, the financial impact on the guarantees embedded in these direct participating contracts does not adjust the CSM and is also reflected in the statements of earnings.

NOTE 2 Basis of Presentation and Summary of Material Accounting Policies (continued)

PREMIUM ALLOCATION APPROACH (PAA)

This model is applied to Lifeco's short-term insurance products, such as group life and health.

Recognition

Contracts with coverage periods of one year or less

The premium allocation approach is applied to measure the liability for remaining coverage of insurance contracts with coverage periods of one year or less.

Contracts with coverage periods of more than one year

The premium allocation approach is applied to contracts with coverage periods longer than one year that are relatively stable and have low variability in fulfillment cash flows. The low variability in fulfillment cash flows indicates there is no material difference in the liability for remaining coverage measured under the premium allocation approach as compared to the general measurement model. Generally, this applies to products with rate guarantees between 2 and 5 years.

New groups of insurance contracts are assessed to determine whether they can be measured using the premium allocation approach at initial recognition.

The eligibility test for the premium allocation approach model will not be subsequently performed after initial recognition unless there are substantial changes to the terms of the groups of insurance contracts.

Measurement

Initial measurement of the liability for remaining coverage

On initial recognition, the liability for remaining coverage is initially measured as the premiums received in the period minus any insurance acquisition cash flows not expensed, plus or minus any amount caused by the derecognition of an acquisition cash flow asset or liability which represents any acquisition costs that were paid before the contracts were recognized.

Insurance acquisition costs are included as fulfillment cash flows of the liability and are allocated over the contract boundary on a straight-line basis. For contracts with expected future renewals, a portion of the acquisition costs is capitalized as an asset and deferred until the future contract renewals are recognized.

The fulfillment cash flows of contracts with coverage periods of more than one year are discounted to reflect the impact of financial risk on the contract. The discount rates used reflect the characteristics of the contract cash flows. For contracts where premiums are received within one year of the coverage period, Lifeco has elected not to adjust the liability for the time value of money.

Subsequent measurement

At the end of each reporting period, the liability for remaining coverage for contracts under the premium allocation approach is measured as the carrying amount of the liability for remaining coverage at the beginning of the period, adjusted for the following to:

- Add the premiums received in the period;
- Deduct any insurance acquisition cash flows during the period not directly expensed;
- Add the amortization of acquisition cash flows, plus any adjustments to a financing component;
- Deduct the amount recognized as insurance revenue for the coverage provided in the period; and
- Deduct any investment components paid or transferred to the liability for incurred claims.

If circumstances indicate that a contract under the premium allocation approach model has become onerous, a loss is immediately recognized in the statements of earnings, and a separate component of the liability for remaining coverage is created to record this loss component. The loss is measured as the difference between the fulfillment cash flows that relate to the remaining coverage of the group and the current carrying amount of the liability for remaining coverage using the measurement described above.

The liability for incurred claims is measured under the same approach as the general measurement model, which is the fulfillment cash flows related to incurred claims. When claims are expected to be settled less than one year after being incurred, Lifeco has elected not to discount the liability for incurred claims.

NOTE 2 Basis of Presentation and Summary of Material Accounting Policies (continued)

MEASUREMENT OF REINSURANCE CONTRACTS HELD

General Measurement Model
The accounting policies used to measure a group of insurance contracts under the general measurement model apply to the measurement of a group of reinsurance contracts held, with the following modifications:

The carrying amount of a group of reinsurance contracts held at each reporting date is the sum of the remaining coverage component and the incurred claims component. The remaining coverage component comprises:

- The fulfillment cash flows that relate to services that will be received under the contracts in future periods; and
- Any remaining CSM at that date.

Lifeco measures the estimates of the present value of future cash flows using assumptions that are consistent with those used to measure the estimates of the present value of future cash flows for the underlying insurance contracts, with an adjustment for any risk of non-performance by the reinsurer. The effect of the non-performance risk of the reinsurer is assessed at each reporting date and the effect of changes in the non-performance risk is recognized in the statements of earnings.

The risk adjustment for non-financial risk is the amount of the risk transferred by Lifeco to the reinsurer.

On initial recognition, the CSM of a group of reinsurance contracts held represents a net cost or net gain on purchasing reinsurance. It is measured as the equal and opposite amount of the total of the fulfillment cash flows, any derecognized assets for cash flows occurring before the recognition of the group, any cash flows arising at that date and any income recognized in the statements of earnings because of onerous underlying contracts recognized at that date. However, if any net cost on purchasing reinsurance coverage relates to insured events that occurred before the purchase of the group, then the cost is immediately recognized in the statements of earnings as an expense.

Lifeco adjusts the carrying amount of the CSM of a group of reinsurance contracts held at the end of a reporting period to reflect changes in the fulfillment cash flows applying the same approach as for insurance contracts issued, except when the underlying contract is onerous and the change in the fulfillment cash flows for underlying insurance contracts is recognized in profit or loss by adjusting the loss component. The respective changes in reinsurance contracts held are also recognized in profit and loss (adjusting the loss recovery component).

Funds withheld under reinsurance contracts held to manage credit risk are included in the carrying amount of the reinsurance contracts held asset.

Premium Allocation Approach
Lifeco holds reinsurance contracts with the direct insurance contracts it issues. The reinsurance contracts held that are eligible for the premium allocation approach and have underlying direct contracts measured under the premium allocation approach are also classified and measured under the premium allocation approach.

Onerous Underlying Insurance Contracts
Lifeco adjusts the CSM of the group to which a reinsurance contract held belongs and as a result recognizes income when it recognizes a loss on initial recognition of onerous underlying contracts, if the reinsurance contract held is entered into before or at the same time as the onerous underlying contracts are recognized. The adjustment to the CSM is determined by multiplying:

- The amount of the loss that relates to the underlying contracts; and
- The percentage of claims on the underlying contracts that Lifeco expects to recover from the reinsurance contracts held.

For reinsurance contracts held that are acquired by Lifeco in a transfer of contracts or a business combination covering onerous underlying contracts, the adjustment to the CSM is determined by multiplying:

- The amount of the loss component that relates to the underlying contracts at the date of acquisition; and
- The percentage of claims on the underlying contracts that Lifeco expects at the date of acquisition to recover from the reinsurance contracts held.

NOTE 2 Basis of Presentation and Summary of Material Accounting Policies (continued)

A loss-recovery component is created or adjusted for the group of reinsurance contracts held to depict the adjustment to the CSM, which determines the amounts that are subsequently presented in the statements of earnings as reversals of recoveries of losses from the reinsurance contracts held and are excluded from the allocation of reinsurance premiums paid in the net expense from reinsurance contracts held.

COVERAGE UNITS

Amortization of the Contractual Service Margin

The CSM is a component of the group of insurance contracts that represents the unearned profit Lifeco will recognize as it provides services in the future. An amount of the CSM for a group of insurance contracts is recognized in the statements of earnings as insurance revenue in each period to reflect the services provided under the group of insurance contracts in that period. The amount that is recognized in the statements of earnings for the current period is determined by identifying the coverage units in the group, allocating the CSM at the end of the period to each coverage unit provided in the current period and expected to be provided in the future periods.

The number of coverage units in a group is the quantity of coverage provided by the contracts in the group, which is determined by considering the quantity of the benefits provided and the expected coverage duration.

For reinsurance contracts issued, the number of coverage units in a group reflects the expected pattern of underwriting of the underlying contracts because the level of service provided depends on the number of underlying contracts in force.

For reinsurance contracts held, the CSM amortization is similar to the reinsurance contracts issued and reflects the expected pattern of underwriting of the underlying contracts because the level of service provided depends on the number of underlying contracts in force.

INSURANCE REVENUE

Insurance revenue depicts the provision of services arising from a group of insurance contracts at an amount that reflects the consideration to which Lifeco expects to be entitled in exchange for those services. Insurance revenue from a group of insurance contracts is therefore the relevant portion for the period of the total consideration for the contracts, (i.e., the amount of premiums paid to Lifeco adjusted for the financing effect (the time value of money) and excluding any investment components).

INSURANCE FINANCE INCOME OR EXPENSES

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

- The effect of the time value of money and changes in the time value of money; and
- The effect of financial risk and changes in financial risk.

The Corporation has elected to recognize insurance finance income or expenses in the statements of earnings.

NET INCOME OR EXPENSE FROM REINSURANCE CONTRACTS HELD

The Corporation presents separately in the statements of earnings the amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid. Lifeco considers reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held, and excludes investment components and commissions from an allocation of reinsurance premiums presented in the statements of earnings. Amounts relating to the recovery of losses relating to reinsurance of onerous direct contracts are included as amounts recoverable from the reinsurer.

CONTRACT MODIFICATIONS AND DERECOGNITION

Contract Modifications

When the terms of insurance contracts are modified, Lifeco assesses whether the modification is substantial enough to lead to the derecognition of the original contract and recognition of a new modified contract as if it was entered for the first time. If the contract modification does not lead to a re-recognition of the contract, then the effect of the modification is treated as a change in the estimates of fulfillment cash flows which is recorded as an experience adjustment to the existing contract.

NOTE 2 Basis of Presentation and Summary of Material Accounting Policies (continued)

Derecognition of Contracts

A contract is derecognized when it is extinguished, which is when the specified obligations in the contract expire or are discharged or cancelled.

When an insurance contract not accounted for under the premium allocation approach is derecognized from within a group of insurance contracts:

- The fulfillment cash flows allocated to the group are adjusted to eliminate those that relate to the rights and obligations derecognized;
- The CSM of the group is adjusted for the change in the fulfillment cash flows, except where such changes are allocated to a loss component; and
- The number of coverage units for the expected remaining coverage is adjusted to reflect the coverage units derecognized from the group.

If a contract is derecognized because it is transferred to a third party, then the CSM is also adjusted for the premium charged by the third party, unless the group is onerous.

When an insurance contract accounted for under the premium allocation approach is derecognized, adjustments to the fulfillment cash flows to remove related rights and obligations and account for the effect of the derecognition result in the following amounts being charged immediately to the statements of earnings:

- If the contract is extinguished: Any net difference between the derecognized part of the liability for remaining coverage of the original contract and any other cash flows arising from extinguishment; and
- If the contract is transferred to the third party: Any difference between the derecognized part of the liability for remaining coverage of the original contract and the premium charged by the third party.

NOTE 2 Basis of Presentation and Summary of Material Accounting Policies (continued)

USE OF SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In the preparation of the financial statements, management of the Corporation and management of its subsidiaries are required to make significant judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, net earnings, comprehensive income and related disclosures. Key sources of estimation uncertainty and areas where significant judgments have been made by the management of the Corporation and management of its subsidiaries are further described in the relevant accounting policies in the Corporation's consolidated financial statements and notes thereto for the year ended December 31, 2022.

Significant judgments, estimates and assumptions that have changed or are new under IFRS 17 and IFRS 9 include:

Item or balance affected by judgments or estimates	Applied by	Key judgments or estimates
Classification of insurance and reinsurance contracts	Management of Lifeco	Determining whether arrangements should be accounted for as insurance, investment or service contracts.
Valuation of insurance and certain investment contract liabilities	Management of Lifeco	Determining the actuarial assumptions, including mortality, longevity, morbidity, expense and policyholder behaviour (Note 8).
Coverage units	Management of Lifeco	Determining the coverage units, which are based on an estimate of the quantity of coverage provided by the contracts in a group, considering the quantity of benefits provided and the expected coverage duration.
Discount rates to apply to insurance contract liability cash flows	Management of Lifeco	Determining the discount rates to apply to most insurance contract liability cash flows. Lifeco generally uses the top-down approach for cash flows of non-participating contracts that do not depend on underlying items. Applying this approach, Lifeco uses the yield curve implied in a reference portfolio of assets and adjusts it to exclude the effects of risks (e.g., credit risk) present in the cash flows from the financial instruments that are part of the reference portfolio, but not in the insurance cash flows. One of the key sources of estimation uncertainty is estimating the market risk premiums for credit risk of the underlying items that are only relevant to assets included in the reference portfolio, but not to the non-participating contracts. For some products, discount rates are set using a bottom-up approach, based on risk-free rates, plus an illiquidity premium, which also requires judgment.
Risk adjustment	Management of Lifeco	Judgment is required in estimating the probability distribution of each non-financial risk and diversification matrix to derive confidence level when determining risk adjustment.
Onerous contracts	Management of Lifeco	Determining at what level of granularity sufficient information is available to conclude that all contracts within a set will be in the same group. The determination of whether a contract or a group of contracts is onerous is based on the expectations as at the date of initial recognition, with fulfillment cash flow expectations determined on a probability-weighted basis. Lifeco determines the appropriate level at which reasonable and supportable information is available to make this assessment.

NOTE 2 Basis of Presentation and Summary of Material Accounting Policies (continued)

Item or balance affected by judgments or estimates	Applied by	Key judgments or estimates
Application of the retrospective approach in the transition to IFRS 17	Management of Lifeco	Determining that obtaining reasonable and supportable information to apply the full retrospective approach was impracticable without undue cost or effort for contracts issued more than several years prior to the IFRS 17 effective date.
Measurement of impairment losses	Management of the Corporation and of its subsidiaries	Judgment is required on measurement of impairment losses under IFRS 9 across relevant financial assets, in particular for the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk.

FUTURE ACCOUNTING CHANGES

The Corporation and its subsidiaries monitor changes in IFRS, both proposed and released, by the International Accounting Standards Board (IASB) and analyze the effect that changes in the standards may have on the consolidated financial statements when they become effective. There have been no new standards released or significant changes to the future accounting policies disclosed in the December 31, 2022 financial statements.

NOTE 3 Adoption of IFRS 17, *Insurance Contracts* and IFRS 9, *Financial Instruments*

IFRS 17

IFRS 17 introduces significant changes to the presentation of the Corporation's financial statements. Portfolios of insurance contracts issued by Lifeco, and reinsurance contracts held that are assets and liabilities, are respectively presented separately.

IFRS 17 also introduces significant measurement differences, including the following:

- Reclassification of contracts from insurance to investment contracts;
- Establishment of the CSM for in-force policies;
- Net impact of removing margin for adverse deviations (MfADs) and establishing an adjustment for non-financial risk;
- Adjustment for difference in discount rates;
- Adjustment for non-attributable expenses; and
- Other measurement impacts.

Upon transition, IFRS 17 requires an entity to apply the standard retrospectively unless impracticable, in which case the entity shall use either the modified retrospective approach or the fair value approach.

The full retrospective approach requires the Corporation, through Lifeco, to apply the guidance of IFRS 17 as if IFRS 17 had always been applied. It would be considered impracticable in the following situations:

- The necessary level of detail for historical information could not be obtained using a reasonable amount of effort; or
- Estimates required for measurement at the appropriate level of detail could not be determined without the use of hindsight and/or professional judgment could not be applied to such estimates in accordance with the requirements of IFRS 17 or Lifeco's interpretations and established policies.

Lifeco has performed a cut-off date assessment (by region and product) to determine the contracts to which the full retrospective approach can be applied. The full retrospective approach was applied to all identified insurance contracts unless it was impracticable, in the cases where reasonable and supportable information necessary to complete the full retrospective approach was not available.

The fair value approach calculates the CSM or loss component of the liability for remaining coverage as the difference between the fair value of a group of insurance contracts at the date of transition and the fulfillment cash flows measured at that date. The fair value approach was applied to contracts where it was impracticable to apply the full retrospective approach.

IFRS 9

IFRS 9 introduces changes to the classification and measurement of financial instruments as well as the transition from an incurred loss model under IAS 39 to an ECL model for the determination of allowances for credit losses.

Upon adoption of IFRS 9, the Corporation elected to present comparative information for certain of its financial assets, primarily those held by Lifeco, as if the classification and measurement requirements of IFRS 9 had been applied in the comparative period, on an instrument-by-instrument basis, as permitted by the amendment to IFRS 17 published by the IASB in December 2021.

NOTE 3 Adoption of IFRS 17, *Insurance Contracts* and IFRS 9, *Financial Instruments* (continued)

IMPACT ON OPENING BALANCE SHEET

The changes in accounting policies resulting from the adoption of these standards had an impact on the Corporation's opening equity balances.

The quantitative impact of transitioning to IFRS 17 and IFRS 9 is illustrated in the opening balance sheet reconciliation table below:

Condensed Consolidated Balance Sheets	December 31, 2021 (as reported under IFRS 4 and IAS 39)	Asset / liability reclassification	IFRS 9 overlay measurement	IFRS 17 measurement	Income tax	January 1, 2022 (restated for IFRS 17 and IFRS 9)
Assets						
Bonds	140,987	–	2,043	–	–	143,030
Mortgage and other loans	34,266	–	505	–	–	34,771
Shares	15,318	16	26	–	–	15,360
Insurance contract assets	–	1,533	–	–	–	1,533
Other assets						
Impacted by IFRS 17 and IFRS 9	67,677	(18,723)	–	697	269	49,920
Not impacted by IFRS 17 and IFRS 9	45,966	–	–	–	–	45,966
Investments on account of segregated fund policyholders	357,419	–	–	–	–	357,419
Total assets	661,633	(17,174)	2,574	697	269	647,999
Liabilities						
Insurance contract liabilities	208,378	(57,284)	–	6,816	–	157,910
Investment contract liabilities	12,455	41,239	–	–	–	53,694
Reinsurance contract held liabilities	–	1,290	–	–	–	1,290
Other liabilities						
Impacted by IFRS 17 and IFRS 9	11,726	(1,874)	–	–	(413)	9,439
Not impacted by IFRS 17 and IFRS 9	27,927	–	–	–	–	27,927
Insurance and investment contracts on account of segregated fund policyholders	357,419	(357,419)	–	–	–	–
Insurance contracts on account of segregated fund policyholders	–	65,253	–	–	–	65,253
Investment contracts on account of segregated fund policyholders	–	292,166	–	–	–	292,166
Total liabilities	617,905	(16,629)	–	6,816	(413)	607,679
Total equity	43,728	(545)	2,574	(6,119)	682	40,320
Total liabilities and equity	661,633	(17,174)	2,574	697	269	647,999

The adoption of IFRS 17 and the IFRS 9 overlay resulted in an overall reduction of total assets of $13.6 billion, total liabilities of $10.2 billion, and total equity of $3.4 billion on the transition balance sheet as at January 1, 2022.

Asset and liability reclassifications were driven by changes to the groupings of certain assets and liabilities. Significant reclassifications included $8.3 billion of loans to policyholders, $7.9 billion of funds held by ceding insurers, and $1.9 billion of premiums in the course of collection reclassified to insurance contract liabilities. In addition, $40.5 billion of insurance contract liabilities were reclassified to investment contract liabilities, and insurance contract assets of $1.5 billion and reinsurance contract held liabilities of $1.3 billion were established.

The presentation of liabilities on account of segregated fund policyholders was separated between insurance and investment contract liabilities.

IFRS 9 adjustments primarily resulted in an increase to assets of $2.6 billion due to a change in designation of certain bonds and mortgage and other loans held at amortized cost under IAS 39 to FVPL under IFRS 9.

NOTE 3 Adoption of IFRS 17, *Insurance Contracts* and IFRS 9, *Financial Instruments* (continued)

IFRS 17 adjustments mainly resulted in an increase to insurance contract liabilities of $6.8 billion, which is primarily the result of the establishment of CSM for in-force contracts of $4.1 billion associated with shareholders' equity and $4.4 billion associated with non-controlling interests, partially offset by risk adjustments related to the transition from IFRS 4 to IFRS 17 of $1.4 billion associated with shareholders' equity and $0.6 billion associated with non-controlling interests. This does not include the CSM on in-force segregated fund business which does not have a material impact on capital.

Total equity decreased by $3.4 billion, consisting of a $2.3 billion reduction to shareholders' equity and a $1.1 billion reduction to non-controlling interests.

Shareholders' equity decreased by $2.3 billion, primarily due to the establishment of the CSM of $4.4 billion and the adjustment for differences in the discount rate of $1.3 billion, offset by increases due to the transition of risk adjustments from IFRS 4 to IFRS 17 of $1.4 billion and the impact of the initial application of the IFRS 9 overlay of $1.5 billion. All other impacts, including taxes, adjustments for non-attributable expenses and from reclassifications, totalled an increase of $0.5 billion.

The non-controlling interests decrease of $1.1 billion was due to the impact of the initial application of IFRS 17 of $2.0 billion, offset by the impact of the application of the IFRS 9 overlay of $0.9 billion.

RECONCILIATION OF NET EARNINGS FROM IFRS 4 AND IAS 39 TO IFRS 17 AND IFRS 9 OVERLAY

For the year ended	December 31, 2022
Net earnings under IFRS 4 and IAS 39, previously reported	3,543
Impact of initial application of IFRS 17 and IFRS 9 overlay:	
Deferral of new business gains within CSM	(170)
CSM recognized in the period, net of impact of changes in liabilities for insurance-related risks	157
Changes in impacts from assumption changes and management actions	(131)
Changes in market-related impacts	653
Attributable to Lifeco's participating account surplus in subsidiaries	(390)
Other, including changes in insurance experience impacts	181
Tax impacts	(167)
Restated net earnings under IFRS 17 and IFRS 9 overlay	3,676

NOTE 3 Adoption of IFRS 17, *Insurance Contracts* and IFRS 9, *Financial Instruments* (continued)

CSM MOVEMENT BY MEASUREMENT COMPONENT UPON TRANSITION

INSURANCE CONTRACTS

	December 31, 2022
Insurance contracts under fair value approach	
CSM beginning balance, as at January 1, 2022	10,197
Change related to current service provided	
CSM recognized for services provided	(947)
Changes that relate to future service	
Changes in estimates that adjust the CSM	917
Total changes in insurance service result	(30)
Net finance expenses from insurance contracts	64
Effect of movement in foreign exchange rates	54
Impact of acquisitions (dispositions)	294
Total change	382
Other insurance contracts	
CSM beginning balance, as at January 1, 2022	2,859
Change related to current service provided	
CSM recognized for services provided	(222)
Changes that relate to future service	
Contracts initially recognized in the year	766
Changes in estimates that adjust the CSM	152
Total changes in insurance service result	696
Net finance expenses from insurance contracts	52
Effect of movement in foreign exchange rates	(52)
Total change	696
Net closing balance, as at December 31, 2022	14,134

NOTE 3 Adoption of IFRS 17, *Insurance Contracts* and IFRS 9, *Financial Instruments* (continued)

REINSURANCE CONTRACTS HELD

	December 31, 2022
Reinsurance contracts held under fair value approach	
CSM beginning balance, as at January 1, 2022	938
Change related to current service provided	
CSM recognized for services provided	(82)
Changes that relate to future service	
Contracts initially recognized in the year	3
Changes in estimates that adjust the CSM	11
Total changes in insurance service result	(68)
Net finance expenses from reinsurance contracts	21
Total change	(47)
Other reinsurance contracts held	
CSM beginning balance, as at January 1, 2022	137
Change related to current service provided	
CSM recognized for services provided	(13)
Changes that relate to future service	
Contracts initially recognized in the year	50
Changes in estimates that adjust the CSM	(53)
Total changes in insurance service result	(16)
Net finance expenses from insurance contracts	(1)
Total change	(17)
Net closing balance, as at December 31, 2022	1,011

NOTE 3 Adoption of IFRS 17, *Insurance Contracts* and IFRS 9, *Financial Instruments* (continued)

TRANSITION TO IFRS 9

EFFECT OF INITIAL APPLICATION

The following table shows the reconciliation of each class of financial asset from the original measurement category under IAS 39 to the new measurement category under IFRS 9:

	Classification	
Financial Assets	IAS 39	IFRS 9
Bonds	Designated as fair value through profit or loss	Designated as fair value through profit or loss
	Classified as fair value through profit or loss	Classified as fair value through profit or loss
	Available for sale	Classified as fair value through profit or loss Fair value through other comprehensive income Amortized cost
	Loans and receivables	Designated as fair value through profit or loss Fair value through other comprehensive income Amortized cost
Mortgage and other loans	Designated as fair value through profit or loss	Classified as fair value through profit or loss
	Available for sale	Classified as fair value through profit or loss
	Loans and receivables	Designated as fair value through profit or loss Fair value through other comprehensive income Amortized cost
Shares	Designated as fair value through profit or loss	Classified as fair value through profit or loss
	Available for sale	Classified as fair value through profit or loss Fair value through other comprehensive income

NOTE 3 Adoption of IFRS 17, *Insurance Contracts* and IFRS 9, *Financial Instruments* (continued)

Reconciliation of carrying value of assets from IAS 39 to IFRS 9

The following table reconciles the carrying value of financial assets under IAS 39 to the carrying value under IFRS 9:

	IAS 39 December 31, 2022	Reclassification	Remeasurement	IFRS 9 January 1, 2023
Fair value through profit or loss				
Bonds				
Designated	113,511	–	–	113,511
Reclassified from loans and receivables	–	33,570	(3,480)	30,090
Total designated	113,511	33,570	(3,480)	143,601
Classified	261	–	–	261
Reclassified from available for sale	–	67	–	67
Total classified	261	67	–	328
Mortgage and other loans				
Designated	3,230	(3,230)	–	–
Reclassified from loans and receivables	–	31,310	(2,297)	29,013
Total designated	3,230	28,080	(2,297)	29,013
Reclassified from designated as fair value through profit or loss	–	3,230	6	3,236
Reclassified from available for sale	–	240	–	240
Total classified	–	3,470	6	3,476
Shares				
Classified	663	–	–	663
Reclassified from designated as fair value through profit or loss	13,564	–	–	13,564
Reclassified from available for sale	–	542	33	575
Total classified	14,227	542	33	14,802
Total fair value through profit or loss	131,229	65,729	(5,738)	191,220
Fair value through other comprehensive income				
Bonds				
Reclassified from available for sale	–	11,797	–	11,797
Reclassified from loans and receivables	–	376	(16)	360
	–	12,173	(16)	12,157
Mortgage and other loans				
Reclassified from loans and receivables	–	662	(41)	621
Shares				
Reclassified from available for sale	–	615	–	615
Total fair value through other comprehensive income	–	13,450	(57)	13,393

NOTE 3 Adoption of IFRS 17, *Insurance Contracts* and IFRS 9, *Financial Instruments* (continued)

	IAS 39 December 31, 2022	Reclassification	Remeasurement	IFRS 9 January 1, 2023
Available for sale				
Bonds				
Brought forward	12,222	–	–	12,222
Reclassified to fair value through profit or loss	–	(67)	–	(67)
Reclassified to fair value through other comprehensive income	–	(11,797)	–	(11,797)
Reclassified to amortized cost	–	(358)	–	(358)
	12,222	(12,222)	–	–
Mortgage and other loans				
Brought forward	240	–	–	240
Reclassified to fair value through profit or loss	–	(240)	–	(240)
	240	(240)	–	–
Shares				
Brought forward	1,157	–	–	1,157
Reclassified to fair value through profit or loss	–	(542)	–	(542)
Reclassified to fair value through other comprehensive income	–	(615)	–	(615)
	1,157	(1,157)	–	–
Total available for sale	13,619	(13,619)	–	–
Amortized cost				
Bonds				
Brought forward: Loans and receivables	33,962	–	–	33,962
Reclassified from available for sale	–	358	(6)	352
Reclassified to fair value through profit or loss	–	(33,570)	–	(33,570)
Reclassified to fair value through other comprehensive income	–	(376)	–	(376)
	33,962	(33,588)	(6)	368
Mortgage and other loans				
Brought forward: Loans and receivables	41,186	–	–	41,186
Reclassified to fair value through profit or loss	–	(31,310)	–	(31,310)
Reclassified to fair value through other comprehensive income	–	(662)	–	(662)
	41,186	(31,972)	–	9,214
Total amortized cost	75,148	(65,560)	(6)	9,582

The adoption of IFRS 9, on January 1, 2023, resulted in a reclassification of available-for-sale investments to fair value through profit or loss investments and has led to a reclassification of the investment revaluation reserves to retained earnings of $305 million.

Allowance for credit losses

Financial assets measured at fair value through profit or loss are not subject to the ECL model. The ECL model only applies to FVOCI and amortized cost assets, and the value of ECL allowances upon adoption of IFRS 9 at January 1, 2023 of $38 million was not materially different from the allowances that was carried under IAS 39. Of the ECL allowance of $38 million at January 1, 2023, $6 million was stage 1 and $32 million were stage 2.

The ECL allowance was $36 million at March 31, 2023, of which $5 million was stage 1 and $31 million was stage 2.

NOTE 4 Business Acquisitions

LIFECO AND IGM

Subsequent event

Acquisition of Investment Planning Counsel

On April 3, 2023, Lifeco and IGM announced that they have entered into an agreement whereby Lifeco will acquire 100% of Investment Planning Counsel Inc. (IPC), a leading independent wealth management firm, from IGM, for cash consideration of $575 million, subject to adjustments.

This is a related party transaction, and therefore, the transaction was reviewed and approved by the appropriate related party and conduct review committee. The transaction is expected to close in the fourth quarter of 2023, subject to the customary closing conditions and regulatory approvals.

The Corporation currently consolidates IPC and therefore the transaction will not have a significant impact on the consolidated statements of earnings and balance sheets.

NOTE 5 Investments

CARRYING VALUES AND FAIR VALUES

Carrying values and estimated fair values of investments are as follows:

	March 31, 2023		December 31, 2022 [1]	
	Carrying value	Fair value	Carrying value	Fair value
Bonds				
Designated as fair value through profit or loss	145,183	145,183	143,601	143,601
Classified as fair value through profit or loss	196	196	328	328
Fair value through other comprehensive income	12,834	12,834	12,157	12,157
Available for sale	–	–	358	358
Amortized cost	523	523	–	–
Loans and receivables	–	–	16	16
	158,736	158,736	156,460	156,460
Mortgage and other loans				
Designated as fair value through profit or loss	29,056	29,056	29,118	29,118
Classified as fair value through profit or loss	3,776	3,776	3,371	3,371
Fair value through other comprehensive income	599	599	621	621
Amortized cost	9,213	8,532	4,192	3,577
Loans and receivables	–	–	5,022	4,905
	42,644	41,963	42,324	41,592
Shares				
Designated as fair value through profit or loss	–	–	398	398
Classified as fair value through profit or loss	15,848	15,848	14,055	14,055
Fair value through other comprehensive income	620	620	–	–
Available for sale	–	–	964	964
	16,468	16,468	15,417	15,417
Investment properties	8,328	8,328	8,344	8,344
	226,176	225,495	222,545	221,813

[1] The Corporation has elected to apply the overlay approach on an instrument-by-instrument basis and has presented the comparative information for the classification and measurement requirements of IFRS 9 for certain investments.

NOTE 5 Investments (continued)

NET INVESTMENT INCOME

Three months ended March 31, 2023	Bonds	Mortgage and other loans	Shares	Investment properties	Other	Total
Net investment income						
Investment income earned	1,593	348	113	120	110	2,284
Net realized losses on sale of fair value through other comprehensive income assets	(36)	–	–	–	–	(36)
Other income (expenses)	–	–	–	(44)	(49)	(93)
	1,557	348	113	76	61	2,155
Change in fair value through profit or loss	2,849	448	325	(140)	125	3,607
Net investment income	4,406	796	438	(64)	186	5,762

Three months ended March 31, 2022 [1]	Bonds	Mortgage and other loans	Shares	Investment properties	Other	Total
Net investment income						
Investment income earned	1,054	239	76	109	102	1,580
Net realized losses on sale of fair value through other comprehensive income assets	(12)	–	–	–	–	(12)
Gains on sale of amortized cost assets	–	8	–	–	–	8
Net realized losses on available-for-sale assets	–	–	(66)	–	–	(66)
Other income (expenses)	–	4	–	(39)	(56)	(91)
	1,042	251	10	70	46	1,419
Change in fair value through profit or loss	(10,101)	(1,338)	394	320	(582)	(11,307)
Net investment income (loss)	(9,059)	(1,087)	404	390	(536)	(9,888)

[1] The Corporation has elected to apply the overlay approach on an instrument-by-instrument basis and therefore includes the application of the IFRS 9 overlay for certain instruments.

Investment income from bonds and mortgage and other loans includes interest income and premium and discount amortization. Income from shares includes dividends and distributions from equity investment funds and gains realized on deconsolidation of subsidiaries and investment funds. Investment properties income includes rental income earned on investment properties, ground rent income earned on leased and subleased land, fee recoveries, lease cancellation income, and interest and other investment income earned on investment properties. Other income includes foreign exchange gains and losses, income earned from derivative financial instruments and other miscellaneous income.

NOTE 5 Investments (continued)

NET INVESTMENT RESULT

	Three months ended March 31, 2023	2022
Investment return		
Net investment income	2,155	1,419
Changes in fair value through profit or loss	3,607	(11,307)
Total investment return	5,762	(9,888)
Net finance income (expenses) from insurance contracts		
Changes in fair value of underlying items of direct participating contracts	(1,425)	1,588
Effects of risk mitigation option	(25)	125
Interest accreted	(730)	(547)
Effect of changes in discount rates and other financial assumptions	(1,397)	7,076
Effect of measuring changes in estimates at current rates and adjusting the CSM at rates on initial recognition	7	(15)
Total net finance income (expenses) from insurance contracts	(3,570)	8,227
Net finance income (expenses) from reinsurance contracts		
Interest accreted	5	101
Other	88	(554)
Total net finance income (expenses) from reinsurance contracts	93	(453)
Effect of change in non-performance risk of reinsurers	–	–
Total net finance income (expenses) from reinsurance contracts in the statements of earnings and of comprehensive income	93	(453)
Changes in investment contract liabilities	(1,882)	3,190
Net investment result	403	1,076

NOTE 6 Investments in Jointly Controlled Corporations and Associates

The carrying values of the investments in jointly controlled corporations and associates are as follows:

	Jointly controlled corporations		Associates				
March 31, 2023	Parjointco	Other [2]	ChinaAMC	Lion	Northleaf	Other [2]	Total
Carrying value, beginning of year	3,314	443	1,570	234	285	670	6,516
Acquisition and investments	–	75	–	–	–	5	80
Share of earnings (losses) [1]	19	(16)	30	(6)	5	1	33
Share of other comprehensive income [1]	212	3	5	–	–	3	223
Dividends and distributions	–	(1)	(69)	–	–	–	(70)
Effects of changes in ownership and other	37	1	–	–	–	2	40
Carrying value, end of period	3,582	505	1,536	228	290	681	6,822

	Jointly controlled corporations		Associates				
March 31, 2022	Parjointco	Other [2]	ChinaAMC	Lion	Northleaf	Other [2]	Total
Carrying value, beginning of year	4,278	428	1,535	334	259	590	7,424
Acquisition and investments	–	18	–	–	–	32	50
Disposal	–	–	–	–	–	(32)	(32)
Share of earnings (losses)	14	(2)	26	–	4	(10)	32
Share of other comprehensive income (loss)	(488)	(5)	(16)	2	–	(1)	(508)
Dividends and distributions	–	(36)	(62)	–	–	–	(98)
Effects of changes in ownership and other	66	–	–	–	–	(3)	63
Carrying value, end of period	3,870	403	1,483	336	263	576	6,931

[1] IFRS 9 was adopted on January 1, 2023. The comparative information is in accordance with IAS 39.

[2] Includes investments in jointly controlled corporations and associates held by entities that meet the definition of a venture capital organization, which have been elected to be measured at fair value through profit or loss.

CHINAAMC

On January 12, 2023, IGM acquired a 13.9% equity interest in ChinaAMC from Power Corporation for an aggregate consideration of $1.15 billion in cash, increasing IGM's equity interest in ChinaAMC from 13.9% to 27.8%. The consolidated financial statements continue to include a 27.8% equity interest in ChinaAMC through the Corporation's interest in IGM; therefore this transaction did not have a significant impact on the consolidated statements of earnings and balance sheets.

Subsequent event

ROCKEFELLER CAPITAL MANAGEMENT

On April 3, 2023, IGM acquired a 20.5% equity interest in Rockefeller Capital Management, a leading U.S. independent financial services advisory firm focused on the high-net-worth and ultra-high-net-worth segments, for cash consideration of approximately US$622 million, payable on June 2, 2023.

NOTE 7 Segregated Funds and Other Structured Entities

The following presents details of the investments, determined in accordance with the relevant statutory reporting requirements of each region of Lifeco's operations, on account of segregated fund policyholders:

INVESTMENTS ON ACCOUNT OF SEGREGATED FUND POLICYHOLDERS

	March 31, 2023	December 31, 2022 [1]
Cash and cash equivalents	15,187	14,562
Bonds	72,893	69,371
Mortgage loans	2,080	2,159
Shares and units in unit trusts	123,633	117,863
Mutual funds	178,082	168,459
Investment properties	12,907	13,035
	404,782	385,449
Accrued income	829	692
Other liabilities	(5,585)	(4,647)
Non-controlling mutual fund interest	5,120	6,388
Total [2]	405,146	387,882

[1] The Corporation has adjusted certain comparative figures to conform to the current year's presentation. These adjustments had no impact on the equity or net earnings of the Corporation.

[2] At March 31, 2023, $67,679 million of investments on account of segregated fund policyholders are reinsured by Lifeco on a modified co-insurance basis ($66,283 million at December 31, 2022). Included in this amount are $276 million of cash and cash equivalents, $12,343 million of bonds, $15 million of shares and units in unit trusts, $55,121 million of mutual funds, $90 million of accrued income and $166 million of other liabilities.

INSURANCE AND INVESTMENT CONTRACTS ON ACCOUNT OF SEGREGATED FUND POLICYHOLDERS

	March 31, 2023	December 31, 2022
Insurance contracts on account of segregated fund policyholders	59,435	57,841
Investment contracts on account of segregated fund policyholders	345,711	330,041
	405,146	387,882

CONTRACTS ON ACCOUNT OF SEGREGATED FUND POLICYHOLDERS

	Three months ended March 31,	
	2023	2022 [1]
Balance, beginning of year	387,882	357,419
Additions (deductions):		
Policyholder deposits	14,905	8,273
Net investment income	861	446
Net realized capital gains on investments	65	1,786
Net unrealized capital gains (losses) on investments	14,724	(18,131)
Unrealized gains (losses) due to changes in foreign exchange rates	1,953	(7,296)
Policyholder withdrawals	(14,028)	(8,957)
Change in segregated fund investment in General Fund	13	21
Change in General Fund investment in segregated fund	2	(9)
Net transfer (to) from General Fund	37	(5)
Non-controlling mutual fund interest	(1,268)	671
	17,264	(23,201)
Balance, end of period	405,146	334,218

[1] The Corporation has adjusted certain comparative figures to conform to the current year's presentation. These adjustments had no impact on the equity or net earnings of the Corporation.

NOTE 7 Segregated Funds and Other Structured Entities (continued)

CONTRACTS ON ACCOUNT OF SEGREGATED FUND POLICYHOLDERS (by fair value hierarchy level)

				March 31, 2023
	Level 1	Level 2	Level 3	Total
Investments on account of segregated fund policyholders [1]	278,495	117,082	14,550	410,127

[1] Excludes other liabilities, net of other assets, of $4,981 million.

				December 31, 2022
	Level 1	Level 2	Level 3	Total
Investments on account of segregated fund policyholders [1][2]	270,892	106,720	14,455	392,067

[1] Excludes other liabilities, net of other assets, of $4,185 million.

[2] The Corporation has adjusted certain comparative figures to conform to the current year's presentation. These adjustments had no impact on the equity or net earnings of the Corporation.

During the three months ended March 31, 2023, certain foreign equity holdings valued at $4,580 million were transferred from Level 1 to Level 2 ($2,301 million were transferred from Level 2 to Level 1 at December 31, 2022), primarily based on Lifeco's change in use of inputs in addition to quoted prices in active markets for certain foreign equity holdings. Level 2 assets include the assets where fair value is not available from normal market pricing sources, where inputs are utilized in addition to quoted prices in active markets and where Lifeco does not have access to the underlying asset details within an investment fund.

The following presents additional information about Lifeco's investments on account of segregated fund policyholders for which Lifeco has utilized Level 3 inputs to determine fair value:

	March 31, 2023	December 31, 2022
Balance, beginning of year	14,455	13,822
Total losses included in segregated fund investment income	(167)	(310)
Purchases	300	1,011
Sales	(11)	(366)
Transfers into Level 3	7	343
Transfers out of Level 3	(34)	(45)
Balance, end of period	14,550	14,455

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

NOTE 8 Insurance Contracts

	March 31, 2023	December 31, 2022
Insurance contract liabilities		
Insurance contract balances	138,937	135,609
Assets for insurance acquisition cash flows	(172)	(171)
Total non-segregated fund insurance contracts	138,765	135,438
Segregated fund insurance contracts [Note 7]	59,435	57,841
Total	198,200	193,279
Insurance contract assets		
Insurance contract balances	1,161	1,142
Assets for insurance acquisition cash flows	(3)	(2)
Total	1,158	1,140

Included in the insurance contract balances are policyholder loans of $9,013 million and funds withheld on reinsurance contracts issued by Lifeco of $4,152 million ($8,999 million and $4,105 million, respectively, at December 31, 2022).

NOTE 8 Insurance Contracts (continued)

ANALYSIS BY REMAINING COVERAGE AND INCURRED CLAIMS

The tables below provide an analysis of the insurance contract liability and asset balances, including segregated fund balances, but excluding the assets for insurance acquisition cash flows.

	Liability for remaining coverage		Liability for incurred claims			
				Contracts under PAA		
March 31, 2023	Excluding loss component	Loss component	Contracts not under PAA	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Total
Opening assets	(1,277)	2	197	(64)	–	(1,142)
Opening liabilities	176,346	199	3,366	12,994	545	193,450
Net opening balance	175,069	201	3,563	12,930	545	192,308
Changes in the statement of earnings and of comprehensive income						
Insurance revenue	(5,037)	–	–	–	–	(5,037)
Insurance service expenses						
Incurred claims and other insurance service expenses	–	(6)	2,327	1,517	56	3,894
Amortization of insurance acquisition cash flows	173	–	–	–	–	173
Losses and reversal of losses on onerous contracts	–	14	–	–	–	14
Adjustments to liabilities for incurred claims	–	–	(4)	(19)	(63)	(86)
	173	8	2,323	1,498	(7)	3,995
Investment components	(2,518)	–	1,818	700	–	–
Total changes in insurance service result	(7,382)	8	4,141	2,198	(7)	(1,042)
Net finance expenses from insurance contracts	4,933	5	1,292	344	17	6,591
Total changes in the statement of earnings and of comprehensive income	(2,449)	13	5,433	2,542	10	5,549
Cash flows						
Premiums received	7,135	–	–	–	–	7,135
Incurred claims paid and other insurance service expenses paid	(15)	–	(5,345)	(2,215)	–	(7,575)
Insurance acquisition cash flows	(223)	–	–	–	–	(223)
Insurance acquisition cash flows transferred from the asset for insurance acquisition cash flows at initial recognition	(8)	–	–	–	–	(8)
Other cash flows [1]	179	–	–	–	–	179
Total cash flows	7,068	–	(5,345)	(2,215)	–	(492)
Other movements [2]	(154)	–	–	–	–	(154)
Net closing balance	179,534	214	3,651	13,257	555	197,211
Recorded in:						
Closing assets	(1,899)	4	779	(45)	–	(1,161)
Closing liabilities	181,433	210	2,872	13,302	555	198,372
Net closing balance	179,534	214	3,651	13,257	555	197,211

[1] Other cash flows includes transfer to/from segregated funds, premiums to be settled via funding component balance (FCB), claims to be settled via FCB, net settlement, and other cash flows from policy loans.

[2] Other movements represents changes in the expected fulfillment cash flows on certain reinsurance contracts held where Lifeco has no continuing involvement other than exposure to the remote insolvency risk of the reinsurer. This movement is offset by movement in associated reinsurance assets.

NOTE 8 Insurance Contracts (continued)

December 31, 2022	Liability for remaining coverage: Excluding loss component	Liability for remaining coverage: Loss component	Liability for incurred claims: Contracts not under PAA	Liability for incurred claims: Contracts under PAA: Estimates of present value of future cash flows	Liability for incurred claims: Contracts under PAA: Risk adjustment for non-financial risk	Total
Opening assets	(2,125)	–	730	(138)	–	(1,533)
Opening liabilities	205,431	181	2,963	14,155	595	223,325
Net opening balance	203,306	181	3,693	14,017	595	221,792
Changes in the statement of earnings and of comprehensive income						
Insurance revenue	(19,638)	–	–	–	–	(19,638)
Insurance service expenses						
Incurred claims and other insurance service expenses	–	(26)	8,848	5,668	344	14,834
Amortization of insurance acquisition cash flows	635	–	–	–	–	635
Losses and reversal of losses on onerous contracts	–	61	–	–	–	61
Adjustments to liabilities for incurred claims	–	–	(66)	105	(299)	(260)
	635	35	8,782	5,773	45	15,270
Investment components	(9,018)	–	6,072	2,946	–	–
Total changes in insurance service result	(28,021)	35	14,854	8,719	45	(4,368)
Net finance (income) expenses from insurance contracts	(27,829)	(15)	4,397	(1,498)	(95)	(25,040)
Total changes in the statement of earnings and of comprehensive income	(55,850)	20	19,251	7,221	(50)	(29,408)
Cash flows						
Premiums received	30,508	–	–	–	–	30,508
Incurred claims paid and other insurance service expenses paid	(55)	–	(19,362)	(8,280)	–	(27,697)
Insurance acquisition cash flows	(832)	–	–	–	–	(832)
Insurance acquisition cash flows transferred from the asset for insurance acquisition cash flows at initial recognition	(98)	–	–	–	–	(98)
Other cash flows [1]	898	–	–	–	–	898
Total cash flows	30,421	–	(19,362)	(8,280)	–	2,779
Other movements [2]	(2,982)	–	(19)	(28)	–	(3,029)
Impact of acquisitions (dispositions) [3]	174	–	–	–	–	174
Net closing balance	175,069	201	3,563	12,930	545	192,308
Recorded in:						
Closing assets	(1,277)	2	197	(64)	–	(1,142)
Closing liabilities	176,346	199	3,366	12,994	545	193,450
Net closing balance	175,069	201	3,563	12,930	545	192,308

[1] Other cash flows includes transfer to/from segregated funds, premiums to be settled via FCB, claims to be settled via FCB, net settlement, and other cash flows from policy loans.

[2] Other movements represents changes in the expected fulfillment cash flows on certain reinsurance contracts held where Lifeco has no continuing involvement other than exposure to the remote insolvency risk of the reinsurer. This movement is offset by movement in associated reinsurance assets.

[3] On April 1, 2022, Lifeco completed the acquisition of the full-service retirement services business of Prudential. The contributions of the acquired business to Lifeco's overall results have been presented separately for the comparative period.

NOTE 8 Insurance Contracts (continued)

ANALYSIS BY MEASUREMENT COMPONENT FOR INSURANCE CONTRACTS NOT MEASURED UNDER PAA

The tables below provide an analysis of the insurance contract liability and asset balances, including segregated fund balances, but excluding the assets for insurance acquisition cash flows, for insurance contracts not measured under PAA.

March 31, 2023	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin	Total
Opening assets	(4,271)	515	2,773	(983)
Opening liabilities	163,119	6,036	11,361	180,516
Net opening balance	158,848	6,551	14,134	179,533
Changes in the statement of earnings and of comprehensive income				
Changes that relate to current service				
CSM recognized for services provided	–	–	(307)	(307)
Change in risk adjustment for non-financial risk for risk expired	–	(149)	–	(149)
Experience adjustments	91	–	–	91
Changes that relate to future service				
Contracts initially recognized in the period	(199)	68	136	5
Changes in estimates that adjust the CSM	64	10	(74)	–
Changes in estimates that result in losses and reversal of losses on onerous contracts	8	3	–	11
Changes that relate to past service				
Adjustment to liabilities for incurred claims	(4)	–	–	(4)
Total changes in insurance service result	(40)	(68)	(245)	(353)
Net finance expenses from insurance contracts	1,550	260	37	1,847
Effect of movement in foreign exchange rates	571	47	90	708
Change in fair value of underlying items	3,670	–	–	3,670
Total changes in the statement of earnings and of comprehensive income	5,751	239	(118)	5,872
Cash flows				
Premiums received	4,255	–	–	4,255
Incurred claims paid and other insurance service expenses paid	(5,361)	–	–	(5,361)
Insurance acquisition cash flows	(192)	–	–	(192)
Other cash flows [1]	177	–	–	177
Total cash flows	(1,121)	–	–	(1,121)
Other movements [2]	(154)	–	–	(154)
Net closing balance	163,324	6,790	14,016	184,130
Recorded in:				
Closing assets	(6,416)	1,516	3,882	(1,018)
Closing liabilities	169,740	5,274	10,134	185,148
Net closing balance	163,324	6,790	14,016	184,130

[1] Other cash flows includes transfer to/from segregated funds, premiums to be settled via FCB, claims to be settled via FCB, net settlements, and other cash flows from policy loans.

[2] Other movements represents changes in the expected fulfillment cash flows on certain reinsurance contracts held where Lifeco has no continuing involvement other than exposure to the remote insolvency risk of the reinsurer. This movement is offset by movement in associated reinsurance assets.

NOTE 8 Insurance Contracts (continued)

December 31, 2022	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin	Total
Opening assets	(7,289)	2,376	3,609	(1,304)
Opening liabilities	192,896	7,067	9,447	209,410
Net opening balance	185,607	9,443	13,056	208,106
Changes in the statement of earnings and of comprehensive income				
Changes that relate to current service				
CSM recognized for services provided	–	–	(1,169)	(1,169)
Change in risk adjustment for non-financial risk for risk expired	–	(638)	–	(638)
Experience adjustments	140	1	–	141
Changes that relate to future service				
Contracts initially recognized in the year	(1,138)	385	766	13
Changes in estimates that adjust the CSM	(958)	(112)	1,069	(1)
Changes in estimates that result in losses and reversal of losses on onerous contracts	21	21	–	42
Changes that relate to past service				
Adjustment to liabilities for incurred claims	(68)	1	–	(67)
Total changes in insurance service result	(2,003)	(342)	666	(1,679)
Net finance expenses from insurance contracts	(11,498)	(2,497)	116	(13,879)
Effect of movement in foreign exchange rates	254	(83)	2	173
Change in fair value of underlying items	(9,713)	–	–	(9,713)
Total changes in the statement of earnings and of comprehensive income	(22,960)	(2,922)	784	(25,098)
Cash flows				
Premiums received	18,672	–	–	18,672
Incurred claims paid and other insurance service expenses paid	(19,417)	–	–	(19,417)
Insurance acquisition cash flows	(746)	–	–	(746)
Fee transfers from the segregated fund	(52)	–	–	(52)
Other cash flows [1]	936	–	–	936
Total cash flows	(607)	–	–	(607)
Other movements [2]	(3,042)	–	–	(3,042)
Impact of acquisitions (dispositions) [3]	(150)	30	294	174
Net closing balance	158,848	6,551	14,134	179,533
Recorded in:				
Closing assets	(4,271)	515	2,773	(983)
Closing liabilities	163,119	6,036	11,361	180,516
Net closing balance	158,848	6,551	14,134	179,533

[1] Other cash flows includes transfer to/from segregated funds, premiums to be settled via FCB, claims to be settled via FCB, net settlements, and other cash flows from policy loans.

[2] Other movements represents changes in the expected fulfillment cash flows on certain reinsurance contracts held where Lifeco has no continuing involvement other than exposure to the remote insolvency risk of the reinsurer. This movement is offset by movement in associated reinsurance assets.

[3] On April 1, 2022, Lifeco completed the acquisition of the full-service retirement services business of Prudential. The contributions of the acquired business to Lifeco's overall results have been presented separately for the comparative period.

NOTE 8 Insurance Contracts (continued)

EFFECT ON MEASUREMENT COMPONENTS OF CONTRACTS INITIALLY RECOGNIZED IN THE PERIOD

March 31, 2023	Profitable contracts issued	Onerous contracts issued	Total
Insurance acquisition cash flows	69	13	82
Claims and other insurance service expenses payable	2,053	24	2,077
Estimates of present value of cash outflows	2,122	37	2,159
Estimates of present value of cash inflows	(2,320)	(38)	(2,358)
Risk adjustment for non-financial risk	62	6	68
CSM	136	–	136
Total (gains) losses recognized on initial recognition	–	5	5

December 31, 2022	Profitable contracts issued	Onerous contracts issued	Total
Insurance acquisition cash flows	343	64	407
Claims and other insurance service expenses payable	10,753	526	11,279
Estimates of present value of cash outflows	11,096	590	11,686
Estimates of present value of cash inflows	(12,155)	(669)	(12,824)
Risk adjustment for non-financial risk	296	89	385
CSM	755	11	766
Total (gains) losses recognized on initial recognition	(8)	21	13

Lifeco did not acquire any insurance contracts held through transfer or business combination.

EXPECTED REMAINING CSM RECOGNITION

	March 31, 2023	December 31, 2022
1 year or less	1,140	1,139
1-2 years	1,053	1,060
2-3 years	975	972
3-4 years	902	899
4-5 years	833	832
5-10 years	4,344	4,342
More than 10 years	4,769	4,890
Total	14,016	14,134

ANALYSIS OF THE ASSET FOR INSURANCE ACQUISITION CASH FLOWS

The table below provides analysis on the asset for insurance acquisition cash flows.

	March 31, 2023	December 31, 2022
Balance, beginning of year	(171)	(162)
Insurance acquisition cash flows paid in the period	(9)	(107)
Insurance acquisition cash flows allocated to groups of insurance contracts recognized in the period	8	98
Balance, end of period	(172)	(171)

NOTE 8 Insurance Contracts (continued)

EXPECTED DERECOGNITION OF THE ASSET FOR INSURANCE ACQUISITION CASH FLOWS

	March 31, 2023	December 31, 2022
1 year or less	29	29
1-2 years	27	27
2-3 years	25	25
3-4 years	23	23
4-5 years	20	21
5-10 years	48	46
Total	172	171

DISCOUNT RATES

Lifeco applied the following rates to discount cash flows by major currency:

March 31, 2023	Year 1		Year 5		Year 10		Year 15		Year 20	
Percentage (%)	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.
CAD	5.8	6.2	4.1	4.4	4.7	5.1	5.3	5.7	5.1	5.5
USD	5.7	5.9	4.2	4.3	4.4	4.6	5.1	5.2	6.8	7.0
EUR	3.0	4.6	2.3	3.9	2.8	4.4	3.2	4.8	2.6	4.2
GBP	4.4	6.1	3.6	5.3	4.5	6.2	5.3	7.0	4.9	6.6

December 31, 2022	Year 1		Year 5		Year 10		Year 15		Year 20	
Percentage (%)	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.
CAD	6.0	6.3	4.4	4.8	5.0	5.3	5.2	5.5	5.0	5.3
USD	5.8	6.0	4.7	4.9	5.2	5.3	5.4	5.5	7.0	7.2
EUR	2.5	4.1	2.8	4.4	3.0	4.6	3.2	4.8	2.6	4.2
GBP	4.0	5.6	4.1	5.7	4.8	6.4	5.5	7.0	4.9	6.4

The forward rates used in the tables above are calculated based on prevailing interest rates observed in their respective markets. When interest rates are not observable, the yield curve to discount cash flows transitions to an ultimate rate composed of a risk-free rate and illiquidity premium. These amounts are set based on historical data.

INSURANCE RISK

The earnings and CSM sensitivities illustrated in the table below represent impacts as at December 31, 2022 under the current accounting policies as at March 31, 2023, including accounting for insurance contracts under IFRS 17. Lifeco's insurance risk sensitivities at March 31, 2023 have not changed significantly from the amounts disclosed in the table below.

	Net earnings	CSM
2% life mortality increase	25	(325)
2% annuity mortality decrease	200	(650)
5% morbidity adverse change	(100)	(125)
5% expense increase	–	(175)
10% adverse change in policy termination and renewal	150	(1,100)

These sensitivities reflect the impact on earnings and CSM of an immediate change in assumptions on the value of insurance contract liabilities.

Most assumption changes directly impact CSM under IFRS 17, rather than earnings. For products measured under the general measurement model, there is a second-order impact, which captures the difference between the assumption change impact measured at prevailing discount rates and the impact under locked-in discount rates. Most locked-in rates for the calculation of CSM impacts were determined at January 1, 2022 for the in-force portfolio. Given the significant rise in interest rates in 2022, the prevailing discount rates now differ significantly from the locked-in discount rates. Therefore, under current market conditions, an assumption change which strengthens liabilities will be measured at lower interest rates in the CSM than prevailing rates, leading to a liability-strengthening offset by CSM reduction and an increase to earnings due to the interest rate effects.

The CSM outlined above is presented net of reinsurance held.

NOTE 9 Reinsurance Contracts Held

REINSURANCE CONTRACTS HELD

	March 31, 2023	December 31, 2022
Assets	17,601	17,571
Liabilities	(549)	(537)

Included in the reinsurance contract held amounts are funds withheld by Lifeco under reinsurance contracts of $1,078 million ($1,039 million as at December 31, 2022).

ANALYSIS BY REMAINING COVERAGE AND INCURRED CLAIMS

The tables below provide an analysis of the reinsurance contract held liability and asset balances.

	Remaining coverage component		Incurred claims component			
March 31, 2023	Excluding loss recovery component	Loss recovery component	Contracts not under PAA	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Total
Opening assets	16,212	76	952	320	11	17,571
Opening liabilities	(760)	–	223	–	–	(537)
Net opening balance	15,452	76	1,175	320	11	17,034
Changes in the statement of earnings and of comprehensive income						
Net expenses from reinsurance contracts	(892)	4	344	202	–	(342)
Investment components	(27)	–	27	–	–	–
Net finance income from reinsurance contracts, excluding the effect of changes in non-performance risk of reinsurers	111	1	25	2	–	139
Total changes in the statement of earnings and of comprehensive income	(808)	5	396	204	–	(203)
Cash flows						
Premiums paid	832	–	–	–	–	832
Incurred claims received and other insurance service amounts received	–	–	(246)	(223)	–	(469)
Other cash flows [1]	12	–	–	–	–	12
Total cash flows	844	–	(246)	(223)	–	375
Other movements [2]	(154)	–	–	–	–	(154)
Net closing balance	15,334	81	1,325	301	11	17,052
Recorded in:						
Closing assets	16,143	81	1,064	302	11	17,601
Closing liabilities	(809)	–	261	(1)	–	(549)
Net closing balance	15,334	81	1,325	301	11	17,052

[1] Other cash flows includes transfer to/from segregated funds, premiums to be settled via FCB, claims to be settled via FCB, net settlements, and other cash flows from policy loans.

[2] Other movements represents changes in the expected fulfillment cash flows on certain reinsurance contracts held where Lifeco has no continuing involvement other than exposure to the remote insolvency risk of the reinsurer. This movement is offset by movement in associated reinsurance assets.

NOTE 9 Reinsurance Contracts Held (continued)

December 31, 2022	Remaining coverage component: Excluding loss recovery component	Remaining coverage component: Loss recovery component	Incurred claims component: Contracts not under PAA	Incurred claims component: Estimates of present value of future cash flows	Incurred claims component: Risk adjustment for non-financial risk	Total
Opening assets	20,425	65	1,003	342	8	21,843
Opening liabilities	(1,314)	–	24	–	–	(1,290)
Net opening balance	19,111	65	1,027	342	8	20,553
Changes in the statement of earnings and of comprehensive income						
Net expenses from reinsurance contracts	(3,536)	17	1,196	788	6	(1,529)
Investment components	(63)	–	63	–	–	–
Net finance expenses from reinsurance contracts, excluding the effect of changes in non-performance risk of reinsurers	(432)	(6)	(45)	(15)	(3)	(501)
Total changes in the statement of earnings and of comprehensive income	(4,031)	11	1,214	773	3	(2,030)
Cash flows						
Premiums paid	3,295	–	–	–	–	3,295
Incurred claims received and other insurance service amounts received	–	–	(1,034)	(794)	–	(1,828)
Other cash flows [1]	29	–	–	–	–	29
Total cash flows	3,324	–	(1,034)	(794)	–	1,496
Other movements [2]	(2,952)	–	(32)	(1)	–	(2,985)
Net closing balance	15,452	76	1,175	320	11	17,034
Recorded in:						
Closing assets	16,212	76	952	320	11	17,571
Closing liabilities	(760)	–	223	–	–	(537)
Net closing balance	15,452	76	1,175	320	11	17,034

[1] Other cash flows includes transfer to/from segregated funds, premiums to be settled via FCB, claims to be settled via FCB, net settlements, and other cash flows from policy loans.

[2] Other movements represents changes in the expected fulfillment cash flows on certain reinsurance contracts held where Lifeco has no continuing involvement other than exposure to the remote insolvency risk of the reinsurer. This movement is offset by movement in associated reinsurance assets.

NOTE 9 Reinsurance Contracts Held (continued)

ANALYSIS BY MEASUREMENT COMPONENT FOR REINSURANCE CONTRACTS HELD NOT MEASURED UNDER PPA

The tables below provide an analysis of the reinsurance contract held liability and asset balances for reinsurance contracts held not measured under PAA.

March 31, 2023	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin	Total
Opening assets	15,791	1,062	514	17,367
Opening liabilities	(1,458)	429	497	(532)
Net opening balance	14,333	1,491	1,011	16,835
Changes in the statement of earnings and of comprehensive income				
Changes that relate to current service				
CSM recognized for services received	–	–	(23)	(23)
Change in risk adjustment for non-financial risk for risk expired	–	(36)	–	(36)
Experience adjustments	22	–	–	22
Changes that relate to future service				
Contracts initially recognized in the period	(24)	24	3	3
Changes in estimates that adjust the CSM	27	1	(28)	–
Changes in estimates that result in losses and reversal of losses on onerous contracts	1	2	–	3
Changes that relate to past service				
Changes to incurred claims component	1	–	–	1
Changes in amounts recoverable arising from changes in liability for incurred claims	1	–	–	1
Net expenses from reinsurance contracts	28	(9)	(48)	(29)
Net finance income (expenses) from reinsurance contracts, excluding the effect of changes in non-performance risk of reinsurers	56	70	10	136
Total changes in the statement of earnings and of comprehensive income	84	61	(38)	107
Cash flows				
Premiums paid	293	–	–	293
Incurred claims received and other insurance service amounts received	(245)	–	–	(245)
Other cash flows [1]	12	–	–	12
Total cash flows	60	–	–	60
Other movements [2]	(154)	–	–	(154)
Net closing balance	14,323	1,552	973	16,848
Recorded in:				
Closing assets	15,682	1,188	521	17,391
Closing liabilities	(1,359)	364	452	(543)
Net closing balance	14,323	1,552	973	16,848

[1] Other cash flows includes transfer to/from segregated funds, premiums to be settled via FCB, claims to be settled via FCB, net settlements, and other cash flows from policy loans.

[2] Other movements represents changes in the expected fulfillment cash flows on certain reinsurance contracts held where Lifeco has no continuing involvement other than exposure to the remote insolvency risk of the reinsurer. This movement is offset by movement in associated reinsurance assets.

NOTE 9 Reinsurance Contracts Held (continued)

December 31, 2022	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin	Total
Opening assets	19,427	1,496	705	21,628
Opening liabilities	(2,123)	472	371	(1,280)
Net opening balance	17,304	1,968	1,076	20,348
Changes in the statement of earnings and of comprehensive income				
Changes that relate to the current service				
CSM recognized for services received	–	–	(95)	(95)
Change in risk adjustment for non-financial risk for risk expired	–	(153)	–	(153)
Experience adjustments	(54)	–	–	(54)
Changes that relate to future service				
Contracts initially recognized in the year	(113)	74	53	14
Changes in estimates that adjust the CSM	(39)	72	(44)	(11)
Changes in estimates that result in losses and reversal of losses on onerous contracts	5	11	–	16
Changes that relate to past service				
Changes in amounts recoverable arising from changes in liability for incurred claims	18	1	–	19
Net expenses from reinsurance contracts	(183)	5	(86)	(264)
Net finance income (expenses) from reinsurance contracts, excluding the effect of changes in non-performance risk of reinsurers	(28)	(482)	21	(489)
Total changes in the statement of earnings and of comprehensive income	(211)	(477)	(65)	(753)
Cash flows				
Premiums paid	1,231	–	–	1,231
Incurred claims received and other insurance service amounts received	(1,035)	–	–	(1,035)
Other cash flows [1]	29	–	–	29
Total cash flows	225	–	–	225
Other movements [2]	(2,985)	–	–	(2,985)
Net closing balance	14,333	1,491	1,011	16,835
Recorded in:				
Closing assets	15,791	1,062	514	17,367
Closing liabilities	(1,458)	429	497	(532)
Net closing balance	14,333	1,491	1,011	16,835

[1] Other cash flows includes transfer to/from segregated funds, premiums to be settled via FCB, claims to be settled via FCB, net settlements, and other cash flows from policy loans.

[2] Other movements represents changes in the expected fulfillment cash flows on certain reinsurance contracts held where Lifeco has no continuing involvement other than exposure to the remote insolvency risk of the reinsurer. This movement is offset by movement in associated reinsurance assets.

EFFECT ON MEASUREMENT COMPONENTS OF CONTRACTS INITIALLY RECOGNIZED IN THE PERIOD

	March 31, 2023	December 31, 2022
Estimates of present value of cash outflows	396	1,199
Estimates of present value of cash inflows	(372)	(1,086)
Risk adjustment for non-financial risk	(24)	(74)
Income recognized on initial recognition	3	14
Contractual service margin	(3)	(53)

Lifeco did not acquire any reinsurance contracts held through transfer or business combination.

NOTE 9 Reinsurance Contracts Held (continued)

EXPECTED REMAINING CSM RECOGNITION

	March 31, 2023	December 31, 2022
1 year or less	(98)	(91)
1-2 years	(89)	(82)
2-3 years	(78)	(75)
3-4 years	(73)	(68)
4-5 years	(64)	(61)
5-10 years	(509)	(494)
More than 10 years	(62)	(140)
Total	(973)	(1,011)

DISCOUNT RATES

Lifeco applied the following rates to discount cash flows by major currency:

March 31, 2023	Year 1		Year 5		Year 10		Year 15		Year 20	
Percentage (%)	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.
CAD	4.6	6.2	2.9	4.4	3.5	5.0	4.1	5.7	3.9	5.5
USD	5.6	6.3	4.1	4.8	4.3	5.0	5.0	5.6	6.7	7.4
EUR	3.0	4.6	2.3	3.9	2.8	4.4	3.2	4.8	2.6	4.2
GBP	4.4	5.8	3.6	5.0	4.5	5.8	5.3	6.6	4.9	6.2

December 31, 2022	Year 1		Year 5		Year 10		Year 15		Year 20	
Percentage (%)	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.
CAD	4.9	6.3	3.3	4.8	3.8	5.3	4.0	5.5	3.9	5.3
USD	5.8	6.4	4.7	5.3	5.1	5.7	5.3	5.9	7.0	7.6
EUR	2.5	4.2	2.8	4.5	3.0	4.7	3.2	4.9	2.6	4.3
GBP	4.0	5.3	4.1	5.4	4.8	6.1	5.5	6.7	4.9	6.1

The forward rates used in the tables above are calculated based on prevailing interest rates observed in their respective markets. When interest rates are not observable, the yield curve to discount cash flows transitions to an ultimate rate composed of a risk-free rate and illiquidity premium. These amounts are set based on historical data.

NOTE 10 Power Corporation's Debentures and Other Debt Instruments

	March 31, 2023	December 31, 2022
POWER CORPORATION		
Debentures – unsecured		
8.57% debentures due April 22, 2039	150	150
4.81% debentures due January 31, 2047	249	249
4.455% debentures due July 27, 2048	248	248
Total Power Corporation	647	647

The Corporation has a line of credit of $500 million bearing interest at Adjusted Term SOFR plus 0.70%. At March 31, 2023 and December 31, 2022, the Corporation was not using its line of credit.

NOTE 11 Non-Recourse Debentures and Other Debt Instruments

A) POWER FINANCIAL, LIFECO AND IGM

The following table presents the debentures and other debt instruments issued by Power Financial, Lifeco and IGM. The 6.90% debentures of Power Financial are direct obligations of Power Financial and are non-recourse to the Corporation. All debentures and other debt instruments of Lifeco and its subsidiaries are direct obligations of Lifeco or its subsidiaries, as applicable, and are non-recourse to the Corporation. All of the debentures of IGM are direct obligations of IGM and are non-recourse to the Corporation.

	March 31, 2023	December 31, 2022
POWER FINANCIAL		
Debentures – unsecured		
6.90% debentures due March 11, 2033	250	250
Total Power Financial	250	250
LIFECO		
Debentures and senior bonds – unsecured		
2.50% senior bonds due April 18, 2023 (€500 million) [1]	735	725
1.75% senior bonds due December 7, 2026 (€500 million) [1]	733	722
3.337% debentures due February 28, 2028	498	498
6.40% subordinated debentures due December 11, 2028	100	100
4.70% senior bonds due November 16, 2029 (€500 million)	731	721
2.379% debentures due May 14, 2030	597	597
6.74% debentures due November 24, 2031	196	196
6.67% debentures due March 21, 2033	395	395
5.998% debentures due November 16, 2039	343	343
2.981% debentures due July 8, 2050	494	494
7.529% capital trust debentures due June 30, 2052 (face value of $150 million)	156	157
	4,978	4,948
Other Debt Instruments – unsecured		
Commercial paper and other short-term debt instruments with interest rate of 4.874% (4.628% at December 31, 2022)	135	135
Revolving credit facility with interest equal to LIBOR plus 0.70% (US$50 million)	40	67
Non-revolving credit facility with interest based on Adjusted Term SOFR (US$500 million)	473	675
0.904% senior notes due August 12, 2025 (US$500 million)	673	672
1.357% senior notes due September 17, 2027 (US$400 million)	538	538
4.047% senior notes due May 17, 2028 (US$300 million)	403	403
1.776% senior notes due March 17, 2031 (US$400 million)	537	537
4.15% senior notes due June 3, 2047 (US$700 million)	930	930
4.581% senior notes due May 17, 2048 (US$500 million)	669	669
3.075% senior notes due September 17, 2051 (US$700 million)	935	935
	5,333	5,561
Total Lifeco	10,311	10,509

[1] Designated by Lifeco as hedges of the net investment in foreign operations.

NOTE 11 Non-Recourse Debentures and Other Debt Instruments (continued)

	March 31, 2023	December 31, 2022
IGM FINANCIAL		
Debentures – unsecured		
3.44% debentures due January 26, 2027	400	400
6.65% debentures due December 13, 2027	125	125
7.45% debentures due May 9, 2031	150	150
7.00% debentures due December 31, 2032	175	175
7.11% debentures due March 7, 2033	150	150
6.00% debentures due December 10, 2040	200	200
4.56% debentures due January 25, 2047	200	200
4.115% debentures due December 9, 2047	250	250
4.174% debentures due July 13, 2048	200	200
4.206% debentures due March 21, 2050	250	250
Debentures of IGM held by Lifeco as investments	(88)	(88)
Total IGM	2,012	2,012
Total Power Financial, Lifeco and IGM	12,573	12,771

LIFECO

Subsequent event

On April 18, 2023, Lifeco repaid the principal amount of its maturing 2.50% €500 million senior bonds, together with accrued interest.

CHANGES IN DEBENTURES AND OTHER DEBT INSTRUMENTS – POWER FINANCIAL, LIFECO AND IGM

The table below details changes in the debentures and other debt instruments arising from financing activities, including both cash and non-cash changes:

	March 31, 2023	March 31, 2022
Balance, beginning of the year	12,771	11,066
Increase in other debt instruments	–	1,028
Decrease in other debt instruments	(230)	(25)
Changes in foreign exchange rates and other	32	(131)
Balance, end of period	12,573	11,938

NOTE 11 Non-Recourse Debentures and Other Debt Instruments (continued)

B) ALTERNATIVE ASSET INVESTMENT PLATFORMS AND OTHER – PROJECT AND OTHER DEBT

The following table presents the other debt instruments held by alternative asset investment platforms and other. All other debt instruments are credit or loan facilities that are direct obligations, and secured by the assets, of subsidiaries of the Corporation and are non-recourse to the Corporation.

	March 31, 2023	December 31, 2022
OTHER DEBT INSTRUMENTS		
Investment Funds and Other – secured		
Revolving credit facility up to $49 million, with interest equal to prime rate plus 0.15%	29	24
Revolving credit facility up to US$75 million, with interest equal to the U.S. base rate minus 0.35% (US$34 million)(US$10 million at December 31, 2022)	45	13
Revolving loan facility up to $325 million, with interest equal to prime rate plus 0.6% or SOFR plus 1.6% ($40 million and US$69 million)($1 million and US$35 million at December 31, 2022)	133	48
Senior loan due in June 2029, with interest equal to Euribor plus 1% (€20 million) [1]	28	28
Renewable Energy – Project debt – secured		
Construction loan facilities due from January 2024 to December 2043, bearing interest at various rates from 4.02% to 4.72%, LIBOR plus 2.5% and U.S. base rate plus 1.5% ($534 million and US$119 million)($361 million and US$186 million at December 31, 2022)	695	613
Loan facilities due from June 2024 to December 2037, bearing interest at various rates from 3.33% to 6.0%	561	560
Loan facilities due from January 2025 to June 2059, bearing interest at various rates from 3.62% to 6.50%, prime rate plus margin between 1.0% and 2.25%, CDOR plus 2.5% and LIBOR plus margin between 2.25% and 3.0% ($360 million and US$186 million)($322 million and US$128 million at December 31, 2022)	612	496
Mezzanine loans due from January 2035 to June 2035, bearing interest at various rates from 7.36% to 7.5%	93	94
Standalone Businesses – secured		
Revolving credit facility and term loan facility due in November 2025, bearing interest at various rates equal to U.S. base rate or prime rate plus margin from 1.0% to 3.25%	178	80
Total alternative asset investment platforms and other	2,374	1,956

[1] Represents debt held by an entity controlled by an investment fund.

CHANGES IN OTHER DEBT INSTRUMENTS – ALTERNATIVE ASSET INVESTMENT PLATFORMS AND OTHER

The table below details changes in the other debt instruments arising from financing activities, including both cash and non-cash changes:

	March 31, 2023	March 31, 2022
Balance, beginning of the year	1,956	1,467
Acquisitions	64	–
Increase in other debt instruments	508	194
Decrease in other debt instruments	(147)	(12)
Changes in foreign exchange rates and other	(7)	(51)
Balance, end of period	2,374	1,598

NOTE 12 Stated Capital

AUTHORIZED

The authorized capital of Power Corporation consists of an unlimited number of First Preferred Shares, issuable in series; an unlimited number of Participating Preferred Shares; and an unlimited number of Subordinate Voting Shares.

ISSUED AND OUTSTANDING

	March 31, 2023		December 31, 2022	
	Number of shares	Stated capital	Number of shares	Stated capital
		$		$
Non-Participating Shares				
First Preferred Shares				
Non-cumulative Redeemable, fixed rate				
Series A	6,000,000	150	6,000,000	150
Series B	8,000,000	200	8,000,000	200
Series C	6,000,000	150	6,000,000	150
Series D	10,000,000	250	10,000,000	250
Series G	8,000,000	200	8,000,000	200
Total Non-Participating Shares		950		950
Participating Shares				
Participating Preferred Shares	54,860,866	233	54,860,866	233
Subordinate Voting Shares				
Balance, beginning of year	612,219,731	9,253	621,756,088	9,370
Issued under Stock Option Plan	113,902	4	1,683,043	52
Purchased for cancellation under Normal Course Issuer Bid	(1,159,700)	(18)	(11,219,400)	(169)
Balance, end of period	611,173,933	9,239	612,219,731	9,253
Total Participating Shares		9,472		9,486

NOTE 12 Stated Capital (continued)

Participating Shares

During the three months ended March 31, 2023, 113,902 Subordinate Voting Shares were issued under the Corporation's Executive Stock Option Plan for a consideration of $3 million (1,661,817 Subordinate Voting Shares issued for the three months ended March 31, 2022 for a consideration of $46 million).

During the three months ended March 31, 2023, dividends declared on the Corporation's participating shares amounted to $0.5250 per share ($0.4950 per share in 2022).

Normal Course Issuer Bids

On February 28, 2022, the Corporation commenced a Normal Course Issuer Bid (NCIB) which was effective until February 27, 2023. During the three months ended March 31, 2023, no Subordinate Voting Shares were purchased for cancellation by the Corporation pursuant to this NCIB (4,474,700 Subordinate Voting Shares for a total of $175 million during the three months ended March 31, 2022 under the NCIB programs).

On March 1, 2023, the Corporation commenced a new NCIB which is effective until the earlier of February 29, 2024 and the date on which the Corporation has purchased the maximum permitted number of Subordinate Voting Shares. Pursuant to this NCIB, the Corporation may purchase up to 30 million of its Subordinate Voting Shares outstanding (representing approximately 5.4% of the public float of Subordinate Voting Shares outstanding as at February 22, 2023) at market prices. During the three months ended March 31, 2023, the Corporation purchased for cancellation 1,159,700 Subordinate Voting Shares pursuant to this NCIB for a total of $42 million.

In the three months ended March 31, 2023, the Corporation's share capital was reduced by the average carrying value of the shares repurchased for cancellation. The excess paid over the average carrying value of stated capital was $24 million and was recognized as a reduction to retained earnings ($108 million during the three months ended March 31, 2022).

In connection with its NCIB, the Corporation has entered into an automatic share purchase plan (ASPP) and may provide parameters thereunder from time to time to allow a designated broker to purchase Subordinate Voting Shares under the NCIB at times when the Corporation would ordinarily not be permitted to purchase shares due to regulatory restrictions or self-imposed blackout periods. Outside of these predetermined trading blackout periods, purchases under the Corporation's NCIB will be completed at management's discretion.

NOTE 13 Share-Based Compensation

STOCK OPTION PLAN

On March 31, 2023, there were 21,253,149 Subordinate Voting Shares and 10,900,781 Subordinate Voting Shares reserved for issuance under Power Corporation's Executive Stock Option Plan and under Power Financial's Employee Stock Option Plan, assumed by Power Corporation (Stock Option Plans).

A summary of the status of the Corporation's Stock Option Plans, including tandem share appreciation rights (TSARs), as at March 31, 2023 and 2022, and changes during the respective periods then ended, is as follows:

	March 31, 2023		March 31, 2022	
	Options	Weighted-average exercise price	Options	Weighted-average exercise price
		$		$
Outstanding, beginning of year	25,567,243	31.86	27,556,547	31.30
Granted	1,284,026	34.54	670,304	38.34
Exercised or surrendered for cash	(113,902)	28.53	(2,636,817)	27.67
Forfeited	(1,604)	38.34	–	–
Outstanding, end of period	26,735,763	32.00	25,590,034	31.86
Options exercisable, end of period	19,946,449	31.35	16,925,922	31.07

The exercise price of the 26,735,763 outstanding options ranges from $27.30 to $42.45.

TANDEM SHARE APPRECIATION RIGHTS

A summary of the status of the Corporation's options with TSARs attached, as at March 31, 2023 and 2022, and changes during the respective periods ended is as follows:

	March 31, 2023			March 31, 2022		
	TSARs	Weighted-average exercise price	Fair value of liability	TSARs	Weighted-average exercise price	Fair value of liability
		$	$		$	$
Outstanding, beginning of year	12,646,606	31.15	39	–	–	–
Attached to outstanding options	–	–	–	13,621,606	30.87	93
Surrendered for cash	–	–	–	(975,000)	27.25	(14)
Change in fair value	–	–	17	–	–	–
Outstanding, end of period	12,646,606	31.15	56	12,646,606	31.15	79
TSARs exercisable, end of period	11,263,886	31.00		9,881,166	30.81	

In 2022, the Corporation reclassified 13,621,606 options as cash-settled share-based payments and recognized a liability for the corresponding vested TSARs which is measured at fair value at each reporting period. The reclassification as cash-settled share-based payments resulted in a decrease to retained earnings and to the share-based compensation reserve of $54 million and $39 million, respectively.

The fair value of the outstanding cash-settled liability was $56 million at March 31, 2023 ($39 million at December 31, 2022) and is recorded in other liabilities. The intrinsic value of this liability at March 31, 2023 was $44 million ($17 million at December 31, 2022).

The fair value of the TSARs was estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	March 31, 2023	March 31, 2022
Dividend yield	5.7%	5.7%
Expected volatility	15.5% - 22.8%	13.5% - 22.1%
Risk-free interest rate	3.3% - 5.0%	2.7% – 3.1%
Expected life (years)	0.1 – 6.0	1.1 – 7.0
Share price ($/share)	34.54	38.70
Weighted-average exercise price ($/option)	31.15	31.15
Weighted-average fair value ($/option)	4.40	6.27

NOTE 13 Share-Based Compensation (continued)

The Corporation entered into a total return swap agreement to manage exposure to the volatility of a portion of its cash-settled share-based payments and related liability. For the three months ended March 31, 2023, a net loss of $4 million (nil in 2022) arising from the change in fair value of the liability, net of the gain on the remeasurement to fair value of the derivative instrument, was included in operating and administrative expenses in the statements of earnings.

COMPENSATION EXPENSE

During the three months ended March 31, 2023, Power Corporation granted 1,284,026 options (670,304 options were granted for the three months ended March 31, 2022) under its Executive Stock Option Plan. Options granted in the three months ended March 31, 2023 vest on the basis of [i] 50% three years from the date of grant and [ii] 50% four years from the date of grant.

The fair value of these options was estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	March 31, 2023	March 31, 2022
Dividend yield	5.9%	5.7%
Expected volatility	18.2%	17.7%
Risk-free interest rate	2.7%	2.4%
Expected life (years)	9.0	9.0
Fair value ($/option)	2.41	2.46
Weighted-average exercise price ($/option)	34.54	38.40

The expected volatility has been estimated based on the historical volatility of the Corporation's share price using the expected option life.

Lifeco, IGM and Wealthsimple have also established stock option plans pursuant to which options may be granted to certain officers and employees. In addition, other subsidiaries of the Corporation have established share-based compensation plans. Compensation expense related to equity-settled stock option plans is recorded based on the fair value of the options or the fair value of the equity instruments at the grant date, amortized over the vesting period. For the three months ended March 31, 2023, total compensation expense relating to the equity-settled stock options granted by the Corporation and its subsidiaries amounted to $30 million ($33 million in 2022), and was recorded in operating and administrative expenses in the statements of earnings.

NOTE 14 Capital Management

POWER CORPORATION

As a holding company, Power Corporation's objectives in managing its capital are to:

- provide attractive long-term returns to shareholders of the Corporation;
- provide sufficient financial flexibility to pursue its growth strategy to invest on a timely basis in its operating companies and other investments as opportunities arise;
- maintain a capital structure that matches the long-term nature of its investments by maximizing the use of permanent capital;
- maintain an appropriate credit rating to ensure stable access to the capital markets; and
- maintain available cash and cash equivalents at a minimum of two times fixed charges.

The Corporation manages its capital taking into consideration the risk characteristics and liquidity of its holdings. In order to maintain or adjust its capital structure, the Corporation may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue capital.

The capital structure of the Corporation consists of debentures, non-participating shares, participating shareholders' equity and non-controlling interests. The Corporation views non-participating shares as a cost-effective source of permanent capital. The Corporation is a long-term investor and as such holds positions in long-term investments as well as cash and fixed income securities for liquidity purposes.

The Board of Directors of the Corporation is responsible for capital management. Management of the Corporation is responsible for establishing capital management procedures and for implementing and monitoring its capital plans. The Board of Directors of the Corporation reviews and approves capital transactions such as the issuance, redemption and repurchase of participating shares, non-participating shares and debentures. The boards of directors of the Corporation's subsidiaries, as well as those of Parjointco and GBL, oversee and have the responsibility for their respective company's capital management.

The Corporation itself is not subject to externally imposed regulatory capital requirements. However, Lifeco and certain of its main subsidiaries, IGM's subsidiaries and certain of the Corporation's other subsidiaries are subject to regulatory capital requirements and they manage their capital as described below.

NOTE 14 Capital Management (continued)

LIFECO

Lifeco manages its capital on both a consolidated basis and at the individual operating subsidiary level. The primary objectives of Lifeco's capital management strategy are:

- to maintain the capitalization of its regulated operating subsidiaries at a level that will exceed the relevant minimum regulatory capital requirements in the jurisdictions in which they operate;
- to maintain strong credit and financial strength ratings of Lifeco ensuring stable access to capital markets; and
- to provide an efficient capital structure to maximize shareholder value in the context of Lifeco's operational risks and strategic plans.

Management of Lifeco is responsible for establishing capital management procedures for implementing and monitoring the capital plan.

The target level of capitalization for Lifeco and its subsidiaries is assessed by considering various factors such as the probability of falling below the minimum regulatory capital requirements in the relevant operating jurisdiction, the views expressed by various credit rating agencies that provide financial strength and other ratings to Lifeco, and the desire to hold sufficient capital to be able to honour all policyholder and other obligations of Lifeco with a high degree of confidence.

In Canada, OSFI has established a regulatory capital adequacy measurement for life insurance companies incorporated under the *Insurance Companies Act* (Canada) and their subsidiaries known as the Life Insurance Adequacy Test (LICAT). The LICAT ratio compares the regulatory capital resources of a company to its required capital, defined by OSFI, as the aggregate of all defined capital requirements. The total capital resources are provided by the sum of available capital, surplus allowance and eligible deposits. OSFI has established a supervisory target total ratio of 100%, and a supervisory minimum total ratio of 90%. Canada Life's consolidated LICAT ratio at March 31, 2023 was 127%.

Other foreign operations and foreign subsidiaries of Lifeco are required to comply with local capital or solvency requirements in their respective jurisdictions.

IGM FINANCIAL

IGM's capital management objective is to maximize shareholder returns while ensuring that IGM is capitalized in a manner which appropriately supports regulatory capital requirements, working capital needs and business expansion. IGM'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. IGM regularly assesses its capital management practices in response to changing economic conditions.

IGM's capital is primarily used in its ongoing business operations to support working capital requirements, long-term investments made by IGM, business expansion and other strategic objectives.

The IGM subsidiaries that are subject to regulatory capital requirements include investment dealers, mutual fund dealers, exempt market dealers, portfolio managers, investment fund managers and a trust company. These IGM subsidiaries are required to maintain minimum levels of capital based on either working capital, liquidity or shareholders' equity. At March 31, 2023, IGM subsidiaries have complied with all regulatory capital requirements.

ALTERNATIVE ASSET INVESTMENT PLATFORMS AND OTHER

Certain subsidiaries are subject to regulatory capital requirements, including portfolio managers, asset managers and an order-execution-only broker. These subsidiaries are required to maintain levels of capital based on their working capital, liquidity or shareholders' equity. At March 31, 2023, these subsidiaries have complied with all regulatory capital requirements.

NOTE 15 Risk Management

The Corporation and its subsidiaries have established policies, guidelines and procedures designed to identify, measure, monitor, report and mitigate risks associated with financial instruments. The key risks related to financial instruments are liquidity risk, credit risk and market risk.

- Liquidity risk is the risk that the Corporation and its subsidiaries would not be able to meet all cash outflow obligations as they come due or be able to, in a timely manner, raise capital or monetize assets at normal market conditions.
- Credit risk is the potential for financial loss to the Corporation and its subsidiaries if a counterparty in a transaction fails to meet its payment obligations. Credit risk can be related to the default of a single debt issuer, the variation of credit spreads on tradable fixed income securities and also to counterparty risk relating to derivative products.
- Market risk is the risk that the market value or future cash flows of a financial instrument and the value of insurance and investment contract liabilities will fluctuate as a result of changes in market factors. Market factors include three types of risks: foreign exchange risk, interest rate (including inflation) risk and equity risk.
  - Foreign exchange risk relates to the Corporation, its subsidiaries and its jointly controlled corporations and associates operating in different currencies and converting non-Canadian investments and earnings at different points in time at different foreign exchange levels when adverse changes in foreign currency exchange rates occur.
  - Interest rate risk is the risk that the fair value of a financial instrument will fluctuate following changes in the interest rates.
  - Equity risk is the potential loss associated with the sensitivity of the market price of a financial instrument arising from volatility in equity markets.

Estimates of sensitivities and risk exposure measures are included for certain risks, such as the sensitivity due to specific changes in interest rate levels projected and market prices as at the valuation date. Actual results can differ significantly from these estimates for a variety of reasons, including, but not limited to, changes in the Corporation and its subsidiaries' asset or liability profile, changes in business mix, effective income tax rates, other market factors, difference in the actual exposure relative to board market indices, variation in exposures by geography, and general limitations of internal models.

For these reasons, the sensitivities should only be viewed as directional estimates of the underlying sensitivities for the respective factors. Given the nature of these calculations, the Corporation cannot provide assurance that the actual impact on net earnings will be as indicated.

The following is a summary of risks in respect to the Corporation and its subsidiaries' financial instruments. In the first section below, the risk management policies and procedures of Power Corporation, Power Financial and the Corporation's alternative asset investment platforms and other (other subsidiaries) are discussed. Risks related to Lifeco and IGM are discussed in subsequent sections. For a more detailed discussion, refer to Note 22 to the Corporation's Consolidated Financial Statements for the year ended December 31, 2022.

NOTE 15 Risk Management (continued)

POWER CORPORATION, POWER FINANCIAL AND ALTERNATIVE ASSET INVESTMENT PLATFORMS AND OTHER

a) Liquidity and funding

As a holding company, the Corporation's ability to pay dividends is dependent upon the Corporation receiving dividends from its principal operating subsidiaries and other investments. Lifeco and its subsidiaries are subject to restrictions set out in relevant corporate and insurance laws and regulations, which require that solvency and capital ratios be maintained. IGM's subsidiaries are also subject to minimum capital requirements. Regulatory requirements may change from time to time, and thereby impact the ability of the operating subsidiaries to pay dividends. The declaration and payment of dividends by the Corporation in future periods remains at the discretion of its Board of Directors and is dependent on the operating performance, profitability, financial position and creditworthiness of its operating subsidiaries and other investments, as well as on their ability to pay dividends.

Power Corporation and Power Financial believe their ongoing cash flows from operations, available cash balances and liquidity available through their lines of credit are sufficient to address their liquidity needs.

b) Equity risk

As at March 31, 2023, the impact of a 10% decrease in the value of other investments held by Power Corporation, Power Financial and other subsidiaries would have resulted in an approximate $62 million unrealized loss recorded in other comprehensive income related to investments classified as fair value through other comprehensive income and $193 million of loss recorded in net earnings related to investments classified as fair value through profit or loss and investments in jointly controlled corporations and associates measured at fair value through profit or loss.

GBL holds a portfolio of investments which are classified as fair value through other comprehensive income or fair value through profit or loss. As at March 31, 2023, the impact of a 10% decrease in equity markets would have resulted in an approximate $232 million unrealized loss recorded in other comprehensive income related to investments classified as fair value through other comprehensive income and $67 million of loss recorded in net earnings related to investments classified as fair value through profit or loss, representing the Corporation's share of Parjointco's unrealized losses.

Power Corporation, Power Financial and other subsidiaries' exposure and management of liquidity risk, credit risk and market risk have not changed materially since December 31, 2022.

LIFECO

The risk committee of the board of directors of Lifeco is responsible for the oversight of Lifeco's key risks. Lifeco has established policies and procedures designed to identify, measure, manage, monitor and report material risks associated with financial instruments. Lifeco's approach to risk management has not changed significantly since December 31, 2022. A summary of the risks is presented below. For a more detailed discussion of Lifeco's risk governance structure and risk management approach, refer to the Risk Management note in the Corporation's December 31, 2022 financial statements.

Liquidity risk

Lifeco has the following policies and procedures in place to manage liquidity risk:

- Lifeco closely manages operating liquidity through cash flow matching of assets and liabilities and forecasting earned and required yields, to ensure consistency between policyholder requirements and the yield of assets.
- Management of Lifeco closely monitors the solvency and capital positions of its principal subsidiaries opposite liquidity requirements at the holding company. Additional liquidity is available through established lines of credit or via capital market transactions. Lifeco maintains committed lines of credit with Canadian chartered banks.

NOTE 15 Risk Management (continued)

Credit risk

Concentrations of credit risk arise from exposures to a single debtor, a group of related debtors or groups of debtors that have similar credit risk characteristics in that they operate in the same geographic region or in similar industries. The characteristics are similar in that changes in economic or political environments may impact their ability to meet obligations as they come due. No significant changes have occurred from the year ended December 31, 2022.

Market risk

a) Foreign exchange risk

If the assets backing insurance and investment contract liabilities are not matched by currency, changes in foreign exchange rates can expose Lifeco to the risk of foreign exchange losses not offset by liability decreases.

- A 10% weakening of the Canadian dollar against foreign currencies would be expected to increase non-participating insurance and investment contract liabilities and their supporting assets by approximately the same amount, resulting in an immaterial immediate change to net earnings.
- A 10% strengthening of the Canadian dollar against foreign currencies would be expected to decrease non-participating insurance and investment contract liabilities and their supporting assets by approximately the same amount, resulting in an immaterial immediate change to net earnings.

Lifeco has net investments in foreign operations. Lifeco's debt obligations are denominated in Canadian dollars, euros and U.S. dollars. In accordance with IFRS, foreign currency translation gains and losses from net investments in foreign operations, net of related hedging activities and tax effects, are recorded in other comprehensive income. Strengthening or weakening of the Canadian dollar spot rate compared to the U.S. dollar, British pound and euro spot rates impacts Lifeco's total equity. Correspondingly, Lifeco's book value per share and capital ratios monitored by rating agencies are also impacted.

b) Interest rate risk

Interest rate risk exists if asset and liability cash flows are not closely matched and interest rates change causing a difference in the value of assets and the value of liabilities. Lifeco has the following policies and procedures in place to mitigate its exposure to interest rate risk:

- Interest rate risk is managed by investing in assets that are suitable for the products sold.
- Lifeco uses a formal process for managing the matching of assets and liabilities. This involves grouping general fund assets and liabilities into segments. Assets in each segment are managed in relation to the liabilities in the segment.
- For products with fixed and highly predictable benefit payments, investments are generally made in fixed income assets or investment properties whose cash flows closely match the liability product cash flows. Where assets are not available to match certain period cash flows, such as long-tail cash flows, a portion of the assets are invested in equities and other non-fixed income assets, while the rest are duration matched.
- Hedging instruments are employed when there is a lack of suitable permanent investments or to manage the level of loss exposure to interest rate changes.
- To the extent asset and liability cash flows are matched, protection against interest rate change is achieved and any change in the fair value of the assets will be offset by a similar change in the fair value of the liabilities.
- For products with less predictable timing of benefit payments, investments are made in fixed income assets with cash flows of a shorter duration than the anticipated timing of benefit payments, or in equities and non-fixed income assets.
- The risk associated with the mismatch in portfolio duration and cash flow, asset prepayment exposure and the pace of asset acquisition is quantified and reviewed regularly.

NOTE 15 Risk Management (continued)

The impact to net earnings from changes in the interest rates would be largely offset by changes in the value of financial assets supporting the liabilities. However, differences in the interest rate sensitivity in the value of assets and the value of insurance and investment contract liabilities leads to a sensitivity to interest rate movements in net earnings under IFRS 17 and IFRS 9.

Lifeco's asset liability management strategy uses equities and other non-fixed income assets as a component of general fund assets supporting liabilities, which leads to interest rate exposure in the net earnings. Furthermore, the classification of financial assets under IFRS 9, such as mortgage assets which are valued at amortized cost and held in the general fund assets supporting liabilities, also contributes to interest rate exposure in net earnings.

The immediate impact to net earnings from an immediate parallel 50 basis point increase or decrease in interest rates is illustrated in the table below:

Change in market yield curves

	March 31, 2023		December 31, 2022	
	50 basis point increase in interest rates, UIR no change	50 basis point decrease in interest rates, UIR no change	50 basis point increase in interest rates, UIR no change	50 basis point decrease in interest rates, UIR no change
Net earnings	100	(150)	75	(125)

Interest rate sensitivities vary by geography. Net earnings are positively impacted by rising rates in Canada and the UK, and are positively impacted by falling rates in the eurozone.

The potential impact on the net earnings does not take into account any future potential changes to Lifeco's ultimate investment rate (UIR) assumptions. As at December 31, 2022, the sensitivity of net earnings of the Company to a 10 basis point increase or decrease in the UIR in all geographies would be an increase of $25 million or a decrease of $25 million post-tax, respectively.

c) Equity risk

Lifeco has investment policy guidelines in place that provide for prudent investment in equity markets with clearly defined limits to mitigate this risk.

The risks associated with segregated fund guarantees on lifetime Guaranteed Minimum Withdrawal Benefits have been mitigated through a hedging program using equity futures, currency forwards, and interest rate derivatives.

Some insurance and investment contract liabilities with long-tail cash flows are supported by publicly traded common shares and investments in other non-fixed income assets, primarily comprised of investment properties, real estate funds, private equities, and equity-release mortgages. Net earnings will reflect changes in the values of non-fixed income assets. However, in most cases the value of the liabilities will not fluctuate with changes in the value of the non-fixed income assets.

The liabilities for segregated fund products with guarantees will fluctuate with changes in the value of the non-fixed income assets. Under current market conditions, there are no earnings impacts to Lifeco on segregated fund business that it does not hedge, as changes in the cost of guarantees are able to be fully offset within the CSM. For segregated fund business that Lifeco hedges, there is a limited earnings impact with respect to the change in liability versus the change in hedge assets.

The following table provides information on the expected immediate impacts of an immediate 10% or 20% increase or decrease in the value of publicly traded common shares on the net earnings.

Change in publicly traded common share values

	March 31, 2023				December 31, 2022			
	Increase		Decrease		Increase		Decrease	
	20%	10%	10%	20%	20%	10%	10%	20%
Net earnings	200	100	(125)	(250)	200	100	(125)	(225)

NOTE 15 Risk Management (continued)

The following table provides information on the expected impacts of an immediate 5% or 10% increase or decrease in the value of other non-fixed income assets on the shareholders' net earnings.

Change in other non-fixed income asset values

	March 31, 2023				December 31, 2022			
	Increase		Decrease		Increase		Decrease	
	10%	5%	5%	10%	10%	5%	5%	10%
Net earnings	400	200	(200)	(425)	400	200	(200)	(425)

IGM FINANCIAL

The risk committee of the board of IGM is responsible for assisting the board of directors of IGM in reviewing and overseeing the risk governance structure and risk management program of IGM.

The risk management policies and procedures of IGM are discussed in the IGM section of the Corporation's Management's Discussion and Analysis (Part C) for the three months ended March 31, 2023 and in Note 22 to the Corporation's Consolidated Financial Statements for the year ended December 31, 2022 and have not changed significantly since December 31, 2022.

a) Liquidity risk

IGM'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 IGM's ability to access bank and capital market funding.
- Ongoing efforts to diversify and expand long-term mortgage funding sources.
- Oversight of liquidity by management and by the financial risk management committee, a committee of finance and other IGM business leaders.

A key liquidity requirement for IGM 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. IGM 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.

IGM believes its ongoing cash flows from operations, available cash balances and liquidity available through its lines of credit are sufficient to address its liquidity needs.

b) Credit risk

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

IGM's allowance for credit losses was $1 million at March 31, 2023, unchanged from December 31, 2022, and is considered adequate by IGM's 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) its strong financial planning relationship with its clients; and v) stress testing of losses under adverse real estate market conditions.

IGM'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, 2022.

NOTE 16 Insurance Revenue

	Three months ended March 31,	
	2023	2022
Contracts not measured under the PAA		
Amounts relating to changes in liabilities for remaining coverage		
Experience adjustments	(14)	(53)
CSM recognized for services provided	307	282
Change in risk adjustment for non-financial risk for risk expired	149	165
Expected incurred claims and other insurance service expenses	2,243	2,284
Recovery of insurance acquisition cash flows	138	104
	2,823	2,782
Contracts measured under the PAA	2,214	1,998
Total insurance revenue	5,037	4,780

NOTE 17 Insurance Service and Operating and Administrative Expenses

	Three months ended March 31,	
	2023	2022
Claims and benefits incurred	3,446	3,260
Allocation of premium directly to recovery of insurance acquisition cash flows	173	163
Adjustments to the liability for incurred claims	(86)	(130)
Losses and reversal of losses on onerous insurance contracts	14	5
Salaries and other employee benefits	1,559	1,337
General and administrative	777	558
Amortization, depreciation and impairment	209	209
Commissions	775	790
Restructuring and other	27	18
Total expenses	6,894	6,210
Represented by:		
Insurance service expenses	3,995	3,737
Operating and administrative expenses	2,899	2,473
Total expenses	6,894	6,210

NOTE 18 Pension Plans and Other Post-Employment Benefits

The pension plan and other post-employment benefits expense included in net earnings and other comprehensive income is as follows:

	Three months ended March 31,	
	2023	2022
Pension plans		
Service costs	73	77
Past service costs, plan amendments and curtailments	2	(1)
Net interest cost	1	5
	76	81
Post-employment benefits		
Service costs	1	1
Net interest cost	3	3
	4	4
Expense recognized in net earnings	80	85
Remeasurements		
Pension plans		
Actuarial (gains) losses	273	(1,099)
Return on assets less (greater) than discount rate	(139)	531
Change in the asset ceiling	(72)	20
Post-employment benefits		
Actuarial (gains) losses	7	(50)
Expense (income) recognized in other comprehensive income (loss)	69	(598)
Total expense (income)	149	(513)

The discount rates decreased by 0.2% to 0.3% during the three months ended March 31, 2023, primarily due to the decrease in yields on high-quality corporate bonds (increased by 0.9% to 1.1% in the corresponding period in 2022, primarily due to the increase in yields on high-quality corporate bonds).

NOTE 19 Income Taxes

INCOME TAX EXPENSE

The components of income tax expense (recovery) recognized in net earnings are:

	Three months ended March 31, 2023	2022
Current taxes	302	195
Deferred taxes	(183)	70
	119	265

EFFECTIVE INCOME TAX RATE

The effective income tax rate for the Corporation for the three months ended March 31, 2023 was 16.6%, compared to 15.1% for the year ended December 31, 2022 and 15.8% for the three months ended March 31, 2022.

The effective income tax rate for the three months ended March 31, 2023 is higher than the effective income tax rate for the same period last year mainly due to the tax expense resulting from the ChinaAMC transaction between the Corporation and IGM, partially offset by the jurisdictional mix of earnings and higher non-taxable investment income at Lifeco.

The effective income tax rates for the comparative figures and for the year ended December 31, 2022 have been restated to reflect the adoption of IFRS 17 and IFRS 9. As IFRS 17 and IFRS 9 impacted the composition of earnings in all jurisdictions at Lifeco, the changes in effective income tax rates were due to the jurisdictional mix of earnings.

The effective income tax rates are generally lower than the Corporation's statutory income tax rate of 26.5% due to non-taxable investment income, lower tax in certain foreign jurisdictions and results from jointly controlled corporations and associates that are not taxable.

NOTE 20 Other Comprehensive Income

	Items that may be reclassified subsequently to net earnings			Items that will not be reclassified to net earnings			
Three months ended March 31, 2023	Investment revaluation and cash flow hedges	Foreign currency translation	Share of jointly controlled corporations and associates	Investment revaluation	Actuarial gains (losses) on defined benefit pension plans and other	Share of jointly controlled corporations and associates	Total
Balance, beginning of year (restated)	(267)	1,205	1,087	–	(49)	(13)	1,963
Impact of initial application of IFRS 9	(117)	–	(1,271)	(14)	–	1,105	(297)
Restated balance, beginning of year	(384)	1,205	(184)	(14)	(49)	1,092	1,666
Other comprehensive income (loss)	41	86	74	15	(40)	155	331
Other	(4)	9	(22)	–	–	15	(2)
Balance, end of period	(347)	1,300	(132)	1	(89)	1,262	1,995

	Items that may be reclassified subsequently to net earnings			Items that will not be reclassified to net earnings		
Three months ended March 31, 2022	Investment revaluation and cash flow hedges	Foreign currency translation	Share of jointly controlled corporations and associates	Actuarial gains (losses) on defined benefit pension plans and other	Share of jointly controlled corporations and associates	Total
Balance, beginning of year	247	847	1,976	(474)	(17)	2,579
Impact of application of IFRS 9 overlay	34	–	–	–	–	34
Restated balance, beginning of year	281	847	1,976	(474)	(17)	2,613
Other comprehensive income (loss)	(258)	(324)	(503)	316	–	(769)
Other	–	–	40	–	–	40
Balance, end of period	23	523	1,513	(158)	(17)	1,884

NOTE 21 Earnings Per Share

The following is a reconciliation of the numerators and the denominators used in the computations of earnings per share:

	Three months ended March 31,	
	2023	2022
Earnings		
Net earnings attributable to shareholders	326	875
Dividends on non-participating shares	(13)	(13)
Net earnings attributable to participating shareholders	313	862
Dilutive effect of subsidiaries' outstanding stock options	–	–
Effect of equity-settled method for TSARs	–	–
Net earnings adjusted for dilutive effect	313	862
Number of participating shares [millions]		
Weighted average number of participating shares outstanding – Basic	666.8	675.8
Potential exercise of outstanding stock options	1.1	5.3
Weighted average number of participating shares outstanding – Diluted	667.9	681.1
Net earnings per participating share		
Basic	0.47	1.28
Diluted	0.47	1.27

For the three months ended March 31, 2023, 2.2 million stock options (0.6 million in 2022) were excluded from the computation of diluted earnings per share as they were anti-dilutive.

NOTE 22 Fair Value Measurement

The Corporation's assets and liabilities recorded at fair value have been categorized based upon the following fair value hierarchy:

Level	Definition	Financial assets and liabilities
Level 1	Utilize observable, unadjusted quoted prices in active markets for identical assets or liabilities that the Corporation has the ability to access.	▪ actively exchange-traded equity securities; ▪ exchange-traded futures; ▪ mutual and segregated funds which have available prices in an active market with no redemption restrictions; ▪ open-end investment fund units and other liabilities in instances where there are quoted prices available from active markets.
Level 2	Utilize other-than-quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other-than-quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data.	▪ assets and liabilities priced using a matrix which is based on credit quality and average life; ▪ government and agency securities; ▪ restricted shares; ▪ certain private bonds and investment funds; ▪ most investment-grade and high-yield corporate bonds; ▪ most asset-backed securities; ▪ most over-the-counter derivatives; ▪ most mortgage and other loans; ▪ deposits and certificates; ▪ most debentures and other debt instruments; ▪ most of the investment contracts that are measured at fair value through profit or loss; ▪ certain limited-life and redeemable fund units.
Level 3	Utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single-broker quotes, internal pricing models, external appraisers or by discounting projected cash flows.	▪ certain bonds; ▪ certain asset-backed securities; ▪ certain private equities; ▪ certain mortgage and other loans, including equity-release mortgages; ▪ investments in mutual and segregated funds where there are redemption restrictions; ▪ certain over-the-counter derivatives; ▪ investment properties; ▪ obligations to securitization entities; ▪ certain other debt instruments; ▪ certain limited-life and redeemable fund units.

NOTE 22 Fair Value Measurement (continued)

The Corporation's assets and liabilities recorded at fair value, including their levels in the fair value hierarchy using the valuation methods and assumptions described in the summary of significant accounting policies of the Corporation's December 31, 2022 Consolidated Financial Statements and above, are presented below. Fair values represent management's estimates and are generally calculated using market information at a specific point in time and may not reflect future fair values. The calculations are subjective in nature, and involve uncertainties and matters of significant judgment (Note 2).

March 31, 2023	Level 1	Level 2	Level 3	Total fair value
Assets				
Bonds				
Fair value through profit or loss	–	145,154	225	145,379
Fair value through other comprehensive income	–	12,834	–	12,834
Mortgage and other loans				
Fair value through profit or loss	–	29,067	3,765	32,832
Fair value through other comprehensive income	–	599	–	599
Shares				
Fair value through profit or loss	11,487	111	4,250	15,848
Fair value through other comprehensive income	611	–	9	620
Investment properties	–	–	8,328	8,328
Derivative instruments	–	2,256	23	2,279
Other assets	373	2,805	951	4,129
	12,471	192,826	17,551	222,848
Liabilities				
Investment contract liabilities	–	94,612	–	94,612
Derivative instruments	15	1,554	7	1,576
Limited-life and redeemable fund units	67	29	1,641	1,737
Other liabilities	11	279	–	290
	93	96,474	1,648	98,215

December 31, 2022 [1]	Level 1	Level 2	Level 3	Total fair value
Assets				
Bonds				
Fair value through profit or loss	–	143,734	195	143,929
Fair value through other comprehensive income	–	12,157	–	12,157
Available for sale	–	358	–	358
Mortgage and other loans				
Fair value through profit or loss	–	29,013	3,476	32,489
Fair value through other comprehensive income	–	621	–	621
Shares				
Fair value through profit or loss	10,721	86	3,646	14,453
Available for sale	613	–	351	964
Investment properties	–	–	8,344	8,344
Derivative instruments	13	2,439	28	2,480
Other assets	320	1,903	940	3,163
	11,667	190,311	16,980	218,958
Liabilities				
Investment contract liabilities	–	94,810	–	94,810
Derivative instruments	–	1,712	5	1,717
Limited-life and redeemable fund units	86	34	1,577	1,697
Other liabilities	11	180	–	191
	97	96,736	1,582	98,415

[1] The Corporation has elected to apply the overlay approach on an instrument-by-instrument basis and therefore includes the application of the IFRS 9 overlay for certain instruments.

There were no significant transfers between Level 1 and Level 2 in these periods.

NOTE 22 Fair Value Measurement (continued)

Additional information about assets and liabilities measured at fair value on a recurring basis for which the Corporation and its subsidiaries have utilized Level 3 inputs to determine fair value for the three months ended March 31, 2023 and 2022 is presented below.

March 31, 2023	Bonds	Mortgages and other loans	Shares						
	Fair value through profit or loss	Fair value through profit or loss	Fair value through profit or loss [2]	Fair value through other comprehensive income [3]	Investment properties	Derivatives, net	Limited-life and redeemable fund units	Other assets (liabilities)	Total
Balance, beginning of year	195	3,476	3,646	351	8,344	23	(1,577)	940	15,398
Impact of initial application of IFRS 9	–	–	349	(349)	–	–	–	–	–
Restated balance, beginning of year	195	3,476	3,995	2	8,344	23	(1,577)	940	15,398
Total gains (losses)									
Net earnings	1	83	45	–	(140)	(6)	(37)	(13)	(67)
Other comprehensive income [1]	1	32	1	7	44	(1)	(3)	–	81
Purchases	30	2	337	–	82	1	–	24	476
Issues	–	208	(4)	–	–	–	(89)	–	115
Sales	(2)	–	(124)	–	(2)	–	–	–	(128)
Settlements	–	(36)	–	–	–	(1)	65	–	28
Balance, end of period	225	3,765	4,250	9	8,328	16	(1,641)	951	15,903

[1] Amount of other comprehensive income for fair value through profit or loss bonds, mortgage and other loans, shares, investment properties and other assets and liabilities represents the unrealized gains (losses) on foreign exchange.

[2] Includes investments in mutual and segregated funds where there are redemption restrictions. The fair value is based on observable, quoted prices.

[3] Balance at the beginning of year represents available-for-sale shares reclassified as fair value through profit or loss on transition.

December 31, 2022	Bonds	Mortgages and other loans	Shares						
	Fair value through profit or loss	Fair value through profit or loss	Fair value through profit or loss [2]	Available for sale	Investment properties	Derivatives, net	Limited-life and redeemable fund units	Other assets (liabilities)	Total
Balance, beginning of year	100	2,667	2,240	565	7,763	6	(1,005)	473	12,809
Impact of application of IFRS 9 overlay	45	6	312	(167)	–	–	–	–	196
Restated balance, beginning of year	145	2,673	2,552	398	7,763	6	(1,005)	473	13,005
Total gains (losses)									
Net earnings	(12)	(640)	119	60	(41)	26	(14)	(125)	(627)
Other comprehensive income [1]	–	(67)	18	(26)	(42)	(1)	(39)	30	(127)
Purchases	82	–	1,180	53	710	(5)	–	710	2,730
Issues	–	1,693	–	–	–	–	(528)	–	1,165
Sales	(20)	–	(199)	(135)	(55)	–	–	(168)	(577)
Settlements	–	(161)	–	–	–	(3)	6	–	(158)
Derecognition	–	(22)	5	–	–	–	37	–	20
Transfers into Level 3	–	–	2	–	–	–	(34)	12	(20)
Transfers out of Level 3	–	–	(27)	(3)	–	–	–	8	(22)
Other	–	–	(4)	4	9	–	–	–	9
Balance, end of year	195	3,476	3,646	351	8,344	23	(1,577)	940	15,398

[1] Amount of other comprehensive income for fair value through profit or loss bonds, mortgage and other loans, shares, investment properties and other assets and liabilities represents the unrealized gains (losses) on foreign exchange.

[2] Includes investments in mutual and segregated funds where there are redemption restrictions. The fair value is based on observable, quoted prices.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies or the placement of redemption restrictions on investments in mutual and segregated funds. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors or the lifting of redemption restrictions on investments in mutual and segregated funds.

NOTE 22 Fair Value Measurement (continued)

Significant unobservable inputs used at period-end in measuring assets categorized as Level 3 in the fair value hierarchy are presented below.

Type of asset	Valuation approach	Significant unobservable input	Input value	Interrelationship between key unobservable inputs and fair value measurement
Investment properties	Investment property valuations are generally determined using property valuation models based on expected capitalization rates and models that discount expected future net cash flows. The determination of the fair value of investment property requires the use of estimates such as future cash flows (such as future leasing assumptions, rental rates, capital and operating expenditures) and discount, reversionary and overall capitalization rates applicable to the asset based on current market rates.	Discount rate	Range of 4.0% – 16.1%	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value.
		Reversionary rate	Range of 4.0% – 7.8%	A decrease in the reversionary rate would result in an increase in fair value. An increase in the reversionary rate would result in a decrease in fair value.
		Vacancy rate	Weighted average of 2.8%	A decrease in the expected vacancy rate would generally result in an increase in fair value. An increase in the expected vacancy rate would generally result in a decrease in fair value.
Mortgage and other loans – equity-release mortgages (fair value through profit or loss)	The valuation approach for equity-release mortgages is to use an internal valuation model to determine the projected asset cash flows, including the stochastically calculated cost of the no-negative-equity guarantee for each individual loan, to aggregate these across all loans and to discount those cash flows back to the valuation date. The projection is done monthly until expected redemption of the loan either voluntarily or on the death/entering into long-term care of the loanholders.	Discount rate	Range of 4.3% – 7.0%	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value.
Shares	The determination of the fair value of shares requires the use of estimates such as future cash flows, discount rates, projected earnings multiples, or recent transactions.	Discount rate	Various	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value.
Limited-life and redeemable fund units	The determination of the fair value of the limited-life and redeemable fund units is based on the fair value of the underlying fund's investments	Discount rate	Various	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value.

NOTE 23 Segmented Information

The Corporation is an international management and holding company. Its core holdings are leading insurance, retirement, wealth management and investment businesses, including a portfolio of alternative asset investment platforms.

As a holding company, the Corporation evaluates the performance of each operating segment based on its contribution to the earnings attributable to participating shareholders. The contribution to the earnings attributable to participating shareholders from Lifeco, IGM Financial, GBL, Sagard, Power Sustainable and other, represents the Corporation's share of their net earnings.

The Corporation's reportable segments include Lifeco and IGM Financial due to their quantitative contribution, and the Corporation also considers GBL as a reportable segment. Together, they represent the Corporation's investments in publicly traded operating companies. As well, the Corporation considers the Holding company to be a reportable segment.

- Lifeco is a financial services holding company with interests in life insurance, health insurance, retirement savings, wealth and asset management, and reinsurance businesses, primarily in Canada, the U.S. and Europe.
- IGM Financial is a leading wealth and asset management company supporting advisors and the clients they serve in Canada, and institutional investors through North America, Europe and Asia.
- GBL is indirectly held through Parjointco. GBL is a Belgian investment holding company and leading investor in Europe focused on long-term value creation. Its portfolio is comprised of a portfolio of listed and private assets composed of global companies, which are leaders in their sectors.
- Holding company comprises the corporate activities of the Corporation and Power Financial, on a combined basis, and presents the investment activities of the Corporation including its investments in consolidated entities. The Holding company activities present the Holding company's assets and liabilities, including cash, investments, debentures and non-participating shares. The Holding company cash flows are primarily comprised of dividends received, income from investments and income (loss) from cash and cash equivalents, less operating expenses, financing charges, income taxes and non-participating and participating share dividends.

The Corporation's asset management activities through the investment platforms, Sagard and Power Sustainable, together with their investing activities, are presented on a combined basis in another category, Alternative asset investment platforms and other, as they do not qualify as reportable segments.

Alternative asset investment platforms and other are comprised of the results of:

- Alternative asset management businesses, Sagard and Power Sustainable;
- Investments managed by Sagard and Power Sustainable on behalf of the Corporation;
- Entities held through the alternative asset managers which are consolidated; and
- Standalone businesses representing a subsidiary, a jointly controlled corporation and associates which are managed to realize value over time.

Effect of consolidation represents the reconciliation between the measurement basis used for the presentation of the Holding company with the consolidated financial statements, as well as the intersegment elimination for investments under common control and other consolidation entries.

The segmented assets present the activities of the holding company, including its investments in consolidated entities, Lifeco and IGM, as well as other controlled entities, using the equity method of accounting as a measurement basis. These entities are consolidated in the Corporation's consolidated balance sheets. Common equity interests in Lifeco, IGM, and alternative asset investment platforms and other (intersegment investments) are included in their respective segment's assets.

NOTE 23 Segmented Information (continued)

CONSOLIDATED NET EARNINGS

Three months ended March 31, 2023	Lifeco	IGM	GBL	Holding company	Alternative asset investment platforms and other	Effect of consolidation	Total
Segment revenue							
Insurance revenue [1]	5,037	–	–	–	–	–	5,037
Net investment income [2]	2,103	190	–	18	20	(176)	2,155
Change in fair value through profit or loss [2]	3,573	1	–	3	18	12	3,607
Fee income [3][4]	1,643	846	–	–	68	(25)	2,532
Other [3]	–	–	–	–	141	–	141
Total segment revenue	12,356	1,037	–	21	247	(189)	13,472
Other insurance and investment results							
Insurance service expenses [1]	(3,995)	–	–	–	–	–	(3,995)
Net expense from reinsurance contracts [1]	(342)	–	–	–	–	–	(342)
Net investment result from insurance activities [2][5]	(5,359)	–	–	–	–	–	(5,359)
Net investment result from insurance contracts on account of segregated fund policyholders	–	–	–	–	–	–	–
Total other insurance and investment results	(9,696)	–	–	–	–	–	(9,696)
Expenses							
Operating and administrative expenses	1,914	615	–	51	341	(22)	2,899
Financing charges	115	28	–	14	30	4	191
Total expenses	2,029	643	–	65	371	(18)	3,090
Earnings before investments in jointly controlled corporations and associates, and income taxes	631	394	–	(44)	(124)	(171)	686
Share of earnings (losses) of investments in jointly controlled corporations and associates	3	53	19	2	(13)	(31)	33
Earnings before income taxes	634	447	19	(42)	(137)	(202)	719
Income taxes	29	64	–	40	(5)	(9)	119
Net earnings	605	383	19	(82)	(132)	(193)	600
Attributable to							
Non-controlling interests	210	262	–	34	(39)	(193)	274
Non-participating shareholders	–	–	–	13	–	–	13
Participating shareholders [6][7]	395	121	19	(129)	(93)	–	313
	605	383	19	(82)	(132)	(193)	600

[1] Included within insurance service result in the statements of earnings.

[2] Included within net investment result in the statements of earnings.

[3] Included within fee income and other revenues in the statements of earnings.

[4] Dealer compensation expenses at IGM are included in operating and administrative expenses.

[5] Includes net finance income (expenses) from insurance contracts, net finance income (expenses) from reinsurance contracts and changes in investment contract liabilities.

[6] The contribution from Lifeco, IGM, GBL and alternative asset investment platforms and other to net earnings attributable to participating shareholders of the Corporation includes the effect of consolidation.

[7] The contribution from Lifeco and IGM includes an allocation for the results of investments under common control based on their respective interests.

NOTE 23 Segmented Information (continued)

CONSOLIDATED NET EARNINGS

Three months ended March 31, 2022	Lifeco	IGM	GBL	Holding company	Alternative asset investment platforms and other	Effect of consolidation	Total
Segment revenue							
Insurance revenue [1]	4,780	–	–	–	–	–	4,780
Net investment income [2]	1,474	2	–	(4)	(54)	1	1,419
Change in fair value through profit or loss [2]	(11,298)	(4)	–	–	4	(9)	(11,307)
Fee income [3][4]	1,451	897	–	–	69	(31)	2,386
Other [3]	–	–	–	–	115	–	115
Total segment revenue	(3,593)	895	–	(4)	134	(39)	(2,607)
Other insurance and investment results							
Insurance service expenses [1]	(3,737)	–	–	–	–	–	(3,737)
Net expense from reinsurance contracts [1]	(362)	–	–	–	–	–	(362)
Net investment result from insurance activities [2][5]	10,964	–	–	–	–	–	10,964
Net investment result from insurance contracts on account of segregated fund policyholders	–	–	–	–	–	–	–
Total other insurance and investment results	6,865	–	–	–	–	–	6,865
Expenses							
Operating and administrative expenses	1,591	631	–	37	241	(27)	2,473
Financing charges	88	28	–	14	6	5	141
Total expenses	1,679	659	–	51	247	(22)	2,614
Earnings before investments in jointly controlled corporations and associates, and income taxes	1,593	236	–	(55)	(113)	(17)	1,644
Share of earnings (losses) of investments in jointly controlled corporations and associates	7	48	14	13	(12)	(38)	32
Earnings before income taxes	1,600	284	14	(42)	(125)	(55)	1,676
Income taxes	207	64	–	5	(9)	(2)	265
Net earnings	1,393	220	14	(47)	(116)	(53)	1,411
Attributable to							
Non-controlling interests	514	70	–	33	(28)	(53)	536
Non-participating shareholders	–	–	–	13	–	–	13
Participating shareholders [6][7]	879	150	14	(93)	(88)	–	862
	1,393	220	14	(47)	(116)	(53)	1,411

[1] Included within insurance service result in the statements of earnings.

[2] Included within net investment result in the statements of earnings.

[3] Included within fee income and other revenues in the statements of earnings.

[4] Dealer compensation expenses at IGM are included in operating and administrative expenses.

[5] Includes net finance income (expenses) from insurance contracts, net finance income (expenses) from reinsurance contracts and changes in investment contract liabilities.

[6] The contribution from Lifeco, IGM, GBL and alternative asset investment platforms and other to net earnings attributable to participating shareholders of the Corporation includes the effect of consolidation.

[7] The contribution from Lifeco and IGM includes an allocation for the results of investments under common control based on their respective interests.

NOTE 23 Segmented Information (continued)

TOTAL ASSETS AND LIABILITIES

March 31, 2023	Lifeco	IGM	GBL	Holding company	Alternative asset investment platforms and other	Effect of consolidation	Total
Cash and cash equivalents	6,666	547	–	1,663	506	(454)	8,928
Investments	218,551	5,071	–	174	2,068	312	226,176
Investments in Lifeco, IGM and alternative asset investment platforms and other	698	1,167	–	21,145	–	(23,010)	–
Investments in jointly controlled corporations and associates	283	2,224	3,582	–	1,140	(407)	6,822
Other assets	43,663	5,823	–	261	5,123	(159)	54,711
Goodwill and intangible assets	17,276	4,172	–	2	1,604	(1)	23,053
Investments on account of segregated fund policyholders	405,146	–	–	–	–	–	405,146
Total assets [1]	692,283	19,004	3,582	23,245	10,441	(23,719)	724,836
Insurance and investment contract liabilities	233,377	–	–	–	–	–	233,377
Obligation to securitization entities	–	4,573	–	–	–	–	4,573
Power Corporation's debentures and other debt instruments	–	–	–	647	–	–	647
Non-recourse debentures and other debt instruments	10,311	2,100	–	250	2,374	(88)	14,947
Other liabilities	13,982	5,941	–	960	4,607	(287)	25,203
Insurance and investment contracts on account of segregated fund policyholders	405,146	–	–	–	–	–	405,146
Total liabilities	662,816	12,614	–	1,857	6,981	(375)	683,893

[1] Total assets of Lifeco and IGM operating segments include the allocation of goodwill and certain consolidation adjustments.

December 31, 2022	Lifeco	IGM	GBL	Holding company	Alternative asset investment platforms and other	Effect of consolidation	Total
Cash and cash equivalents	7,290	1,073	–	1,277	493	(285)	9,848
Investments	215,024	5,199	–	194	1,976	152	222,545
Investments in Lifeco, IGM and alternative asset investment platforms and other	702	1,536	–	20,710	–	(22,948)	–
Investments in jointly controlled corporations and associates	207	1,112	3,314	783	1,147	(47)	6,516
Other assets	44,260	5,652	–	310	4,664	(209)	54,677
Goodwill and intangible assets	17,271	4,173	–	2	1,487	–	22,933
Investments on account of segregated fund policyholders	387,882	–	–	–	–	–	387,882
Total assets [1]	672,636	18,745	3,314	23,276	9,767	(23,337)	704,401
Insurance and investment contract liabilities	230,248	–	–	–	–	–	230,248
Obligation to securitization entities	–	4,610	–	–	–	–	4,610
Power Corporation's debentures and other debt instruments	–	–	–	647	–	–	647
Non-recourse debentures and other debt instruments	10,509	2,100	–	250	1,956	(88)	14,727
Other liabilities	14,772	5,900	–	987	4,366	(317)	25,708
Insurance and investment contracts on account of segregated fund policyholders	387,882	–	–	–	–	–	387,882
Total liabilities	643,411	12,610	–	1,884	6,322	(405)	663,822

[1] Total assets of Lifeco and IGM operating segments include the allocation of goodwill and certain consolidation adjustments.

NOTE 23 Segmented Information (continued)

CONDENSED STATEMENTS OF CASH FLOWS

Three months ended March 31, 2023	Lifeco	IGM	Holding company	Alternative asset investment platforms and other	Effect of consolidation	Total
Operating activities	(1,034)	112	289	(20)	(343)	(996)
Financing activities	(752)	(146)	(416)	540	276	(498)
Investing activities	1,136	(492)	513	(507)	(103)	547
Effect of changes in exchange rates on cash and cash equivalents	26	–	–	–	1	27
Increase (decrease) in cash and cash equivalents	(624)	(526)	386	13	(169)	(920)
Cash and cash equivalents, beginning of the year	7,290	1,073	1,277	493	(285)	9,848
Cash and cash equivalents, end of period	6,666	547	1,663	506	(454)	8,928

Three months ended March 31, 2022	Lifeco	IGM	Holding company	Alternative asset investment platforms and other	Effect of consolidation	Total
Operating activities	1,440	65	296	(31)	(445)	1,325
Financing activities	552	(356)	(515)	208	458	347
Investing activities	1,357	184	46	(224)	(77)	1,286
Effect of changes in exchange rates on cash and cash equivalents	(167)	–	–	(3)	(3)	(173)
Increase (decrease) in cash and cash equivalents	3,182	(107)	(173)	(50)	(67)	2,785
Cash and cash equivalents, beginning of the year	6,075	1,292	1,635	759	(252)	9,509
Cash and cash equivalents, end of period	9,257	1,185	1,462	709	(319)	12,294

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Great-West Lifeco Inc.

PART B

Management's Discussion and Analysis

PAGE B 2

Financial Statements and Notes

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Please note that the bottom of each page in Part B contains two different page numbers. A page number with the prefix "B" refers to the number of such page in this document and the page number without any prefix refers to the number of such page in the original document issued by Great-West Lifeco Inc.

The attached documents concerning Great-West Lifeco Inc. are documents prepared and publicly disclosed by such subsidiary, and are available under such subsidiary's profile on SEDAR at www.sedar.com. Certain statements in the attached documents, other than statements of historical fact, are forward-looking statements based on certain assumptions and reflect the current expectations of the subsidiary as set forth therein. Forward-looking statements are provided for the purposes of assisting the reader in understanding the subsidiary's financial performance, financial position and cash flows as at and for the periods ended on certain dates and to present information about the subsidiary's management's current expectations and plans relating to the future and the reader is cautioned that such statements may not be appropriate for other purposes.

By its nature, forward-looking information is subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved.

For further information provided by the subsidiary as to the material factors that could cause actual results to differ materially from the content of forward-looking statements, the material factors and assumptions that were applied in making the forward-looking statements, and the subsidiary's policy for updating the content of forward-looking statements, please see the attached documents, including the section entitled Cautionary Note Regarding Forward-Looking Information. The reader is cautioned to consider these factors and assumptions carefully and not to put undue reliance on forward-looking statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE PERIOD ENDED MARCH 31, 2023

DATED: MAY 9, 2023

This Management's Discussion and Analysis (MD&A) presents management's view of the financial condition, financial performance and cash flows of Great-West Lifeco Inc. (Lifeco or the Company) for the three months ended March 31, 2023 and includes a comparison to the corresponding periods in 2022, to the three months ended December 31, 2022, and to the Company's financial condition as at December 31, 2022, as applicable. The comparative 2022 periods are restated and unaudited to reflect the adoption of IFRS 17, *Insurance Contracts* and IFRS 9, *Financial Instruments*. This MD&A provides an overall discussion, followed by analysis of the performance of Lifeco's four major reportable segments: Canada, United States (U.S.), Europe and Capital and Risk Solutions.

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BASIS OF PRESENTATION AND SUMMARY OF ACCOUNTING POLICIES

The condensed consolidated interim unaudited financial statements of Lifeco, which are the basis for data presented in this report, have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) unless otherwise noted and are presented in millions of Canadian dollars unless otherwise indicated. This MD&A should be read in conjunction with the Company's condensed consolidated interim unaudited financial statements for the period ended March 31, 2023 which reflects the adoption of IFRS 17, *Insurance Contracts*, and IFRS 9, *Financial Instruments* that resulted in the restatement of certain comparative amounts. Also refer to the "Accounting Policies" section of this MD&A and the 2022 Annual MD&A and audited consolidated financial statements in the Company's 2022 Annual Report.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking information. Forward-looking information includes statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "will", "may", "expects", "anticipates", "intends", "plans", "believes", "estimates", "objective", "target", "potential" and other similar expressions or negative versions thereof. Forward-looking information includes, without limitation, statements about the Company's operations, business (including business mix), financial condition, expected financial performance (including revenues, earnings or growth rates and medium-term financial objectives), ongoing business strategies or prospects, climate-related and diversity-related measures, objectives and targets, anticipated global economic conditions and possible future actions by the Company, including statements made with respect to the expected cost, benefits, timing of integration activities and timing and extent of revenue and expense synergies of acquisitions and divestitures, including but not limited to the proposed acquisition of Investment Planning Counsel (IPC) and the acquisition of the full-service retirement business of Prudential, expected capital management activities and use of capital, estimates of risk sensitivities affecting capital adequacy ratios, expected dividend levels, expected cost reductions and savings, expected expenditures or investments (including but not limited to investment in technology infrastructure and digital capabilities and solutions), the timing and completion of the proposed acquisition of IPC, the impact of regulatory developments on the Company's business strategy and growth objectives.

Forward-looking statements are based on expectations, forecasts, estimates, predictions, projections and conclusions about future events that were current at the time of the statements and are inherently subject to, among other things, risks, uncertainties and assumptions about the Company, economic factors and the financial services industry generally, including the insurance, mutual fund and retirement solutions industries. They are not guarantees of future performance, and the reader is cautioned that actual events and results could differ materially from those expressed or implied by forward-looking statements. Many of these assumptions are based on factors and events that are not within the control of the Company and there is no assurance that they will prove to be correct. In all cases, whether or not actual results differ from forward-looking information may depend on numerous factors, developments and assumptions, including, without limitation, assumptions around sales, fee rates, asset breakdowns, lapses, plan contributions, redemptions and market returns, the ability to integrate the acquisitions of Personal Capital and the retirement services businesses of MassMutual and Prudential, the ability to leverage Empower's, Personal Capital's, MassMutual's and Prudential's retirement services businesses and achieve anticipated synergies, customer behaviour (including customer response to new products), the Company's reputation, market prices for products provided, sales levels, premium income, fee income, expense levels, mortality experience, morbidity experience, policy and plan lapse rates, participant net contribution, reinsurance arrangements, liquidity requirements, capital requirements, credit ratings, taxes, inflation, interest and foreign exchange rates, investment values, hedging activities, global equity and capital markets (including continued access to equity and debt markets), industry sector and individual debt issuers' financial conditions (particularly in certain industries that may comprise part of the Company's investment portfolio), business competition, impairments of goodwill and other intangible assets, the Company's ability to execute strategic plans and changes to strategic plans, technological changes, breaches or failure of information systems and security (including cyber attacks), payments required under investment products, changes in local and international laws and regulations, changes in accounting policies and the effect of applying future accounting policy changes, changes in actuarial standards, unexpected judicial or regulatory proceedings, catastrophic events, continuity and availability of personnel and third party service providers, the Company's ability to complete strategic transactions and integrate acquisitions, unplanned material changes to the Company's facilities, customer and employee relations or credit arrangements, levels of administrative and operational efficiencies, changes in trade organizations, and other general economic, political and market factors in North America and internationally.

The reader is cautioned that the foregoing list of assumptions and factors is not exhaustive, and there may be other factors listed in other filings with securities regulators, including factors set out in the Company's 2022 Annual MD&A under "Risk Management and Control Practices" and "Summary of Critical Accounting Estimates" and in the Company's annual information form dated February 8, 2023 under "Risk Factors", which, along with other filings, is available for review at www.sedar.com. The reader is also cautioned to consider these and other factors, uncertainties and potential events carefully and not to place undue reliance on forward-looking information.

Other than as specifically required by applicable law, the Company does not intend to update any forward-looking information whether as a result of new information, future events or otherwise.

Important Note Regarding Sustainability Disclosure

Certain forward-looking statements in this MD&A relate to the Company's climate-related and diversity-related measures, objectives, priorities, strategies and commitments or actions that will be taken to achieve them. The climate-related statements include statements with respect to reducing the Company's greenhouse gas (GHG) emissions related to its own activities and energy consumption and achieving net-zero GHG emissions for its operating and financing activities by 2050, the causes and potential impacts of climate change globally, and the Company's approach to identifying and managing climate-related risks and opportunities. The diversity-related statements include statements with respect to growing representation of women and underrepresented minorities in management. The forward-looking climate-related and diversity-related information in this MD&A is presented for the purpose of assisting our stakeholders in understanding how we intend to address climate-related governance, strategy, risks, opportunities, and objectives, and may not be appropriate for other purposes.

Any commitments, goals or targets discussed in this MD&A, including but not limited to the Company's net-zero related commitments and diversity-related measures, are aspirational and may need to be changed or recalibrated as data improve and as climate science, regulatory requirements and market practices regarding standards, methodologies, metrics and measurements evolve. Our climate risk analysis and net-zero strategy remain under development, and the data underlying our analysis and strategy remain subject to evolution over time. We are also continuing to develop our diversity-related data. There is a strong possibility that our expectations, forecasts, estimates, predictions and conclusions may not prove to be accurate and our assumptions may prove to be incorrect, and there is a material risk we will not achieve our climate-related and diversity-related objectives, priorities, strategies and commitments. In addition, many of the assumptions, standards, metrics and measurements used in preparing these forward-looking statements are not audited or independently verified, have limited comparability and continue to evolve.

There are limitations and uncertainties inherent in climate science, climate risk analysis and reporting. There are many factors that are the subject of ongoing climate science and that we cannot foresee or accurately predict, which will impact the Company's ability to achieve its climate-related objectives, priorities, strategies and commitments. There are also many factors which will impact the Company's ability to achieve its diversity-related objectives, priorities, strategies and commitments. These factors include, without limitation, the transition to a low-carbon economy, the need for more and better climate data and standardization of climate-related measurement methodologies, our ability to gather and verify data, our ability to develop indicators to effectively monitor our advancements and assess and manage climate-related risks, the need for active and continued action by stakeholders (including governmental and non-governmental organizations, our counterparties and other businesses and individuals), compliance with our policies and procedures, our ability to recruit and retain key personnel in a competitive environment for talent, technological advancements, the evolution of consumer behaviour, varying decarbonization efforts across economies, the challenges of balancing emission reduction objectives with an orderly, just and inclusive transition and geopolitical factors that impact global energy needs, the legal and regulatory environment, and regulatory compliance considerations.

CAUTIONARY NOTE REGARDING NON-GAAP FINANCIAL MEASURES AND RATIOS

This MD&A contains some non-Generally Accepted Accounting Principles (GAAP) financial measures and non-GAAP ratios as defined in National Instrument 52-112 “Non-GAAP and Other Financial Measures Disclosure”. Terms by which non-GAAP financial measures are identified include, but are not limited to, "base earnings (loss)", "base earnings (loss) (US$)", "core base net earnings (loss)", "core base earnings (loss) (US$), "non-core base earnings (loss)", "non-core base earnings (loss) (US$), "assets under management" and "assets under administration". Terms by which non-GAAP ratios are identified include, but are not limited to, “base earnings per common share (EPS)”, “base return on equity (ROE)”, "base dividend payout ratio", "core margin (pre-tax)" and “effective income tax rate – base earnings – common shareholders”. Non-GAAP financial measures and ratios are used to provide management and investors with additional measures of performance to help assess results where no comparable GAAP (IFRS) measure exists. However, non-GAAP financial measures and ratios do not have standard meanings prescribed by GAAP (IFRS) and are not directly comparable to similar measures used by other companies. Refer to the "Non-GAAP Financial Measures and Ratios" section in this MD&A for the appropriate reconciliations of these non-GAAP financial measures to measures prescribed by GAAP as well as additional details on each measure and ratio.

TRANSITION TO IFRS 17 AND IFRS 9

As noted in the "Accounting Policies" section of this document, the Company has adopted IFRS 17, *Insurance Contracts* (IFRS 17) replacing IFRS 4, *Insurance Contracts* (IFRS 4) effective January 1, 2023. While the new standard changes the measurement and timing of recognition of insurance contracts and the corresponding presentation and disclosures in the Company's financial statements, it does not have a material impact on the Company or change the Company's underlying business strategy.

The Company has also adopted IFRS 9, *Financial Instruments* (IFRS 9) replacing IAS 39, *Financial Instruments: Recognition and Measurement* effective January 1, 2023. IFRS 9 provides changes to financial instruments accounting for the following: classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset; impairment based on an expected loss model; and hedge accounting that incorporates the risk management practices of an entity. The adoption of IFRS 9 has not resulted in a material change in assets, liabilities and earnings.

For additional detail, refer to notes 2 and 3 of the Company's condensed consolidated interim unaudited financial statements for the period ended March 31, 2023.

The Company is reporting under the new standards for the first time for the quarter ended March 31, 2023. Quarterly comparative results for the year ended December 31, 2022 have been restated, as applicable, in alignment with the new standards. The impacts of the adoption of IFRS 17 include:

- January 1, 2022 shareholders' equity decreased by approximately 12% on the adoption of IFRS 17 on January 1, 2023 in line with original expectations, primarily due to the establishment of the contractual service margin (CSM), partially offset by the removal of provisions no longer required under IFRS 17.
- The CSM established for in-force contracts as at January 1, 2022 was $5.9 billion associated with the shareholders' account and $2.6 billion associated with the participating account. This does not include the CSM on in-force segregated fund business which does not have a material impact on capital or opening equity.
- 1.8% decrease in base earnings[1] as a result of transition with no material change to the pattern of base earnings and approximately 70% of business experienced limited or no impacts; however, there is an expected increase in net earnings volatility driven by the removal of the direct link between asset and liability measurement that existed under the Canadian Asset Liability Matching (CALM) process under IFRS 4. In addition, changes to the base earnings definition to exclude the amortization of acquisition-related finite life intangible assets, accounted for a 4.0% increase in base earnings for an overall net increase of 2.2%.
- Medium-term financial objectives for base EPS[2] growth and base dividend payout ratio remain unchanged, while medium-term financial objective for base ROE[2] is increased by 2% to 16-17% reflecting the change in shareholders' equity.
- Financial strength has been maintained with a positive impact of approximately 10 points to the March 31, 2023 Canada Life consolidated LICAT Ratio as a result of the adoption of IFRS 17 and IFRS 9. Tier 1 available capital under the 2023 LICAT Guideline includes the CSM, other than the CSM associated with segregated fund guarantees.

[1] This metric is a non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures and Ratios" section of this document for additional details.

[2] This metric is a non-GAAP ratio. Refer to the "Non-GAAP Financial Measures and Ratios" section of this document for additional details.

Observations from 2022 Restated Comparative Results

The adoption of IFRS 17 led to a 1.8% decrease in base earnings with approximately 70% of business experiencing limited or no change in earnings. For businesses more impacted by IFRS 17, the main drivers of the change in earnings relate to the introduction of the contractual service margin (CSM) and the removal of the direct link between assets and liabilities.

The CSM leads to more stable insurance results as gains on new business, certain non-financial experience (e.g., longevity) and non-financial assumption changes are recognized in the CSM, to the extent possible, and then recognized into earnings as services are provided over the life of the insurance contract. However, certain non-financial experience (e.g., mortality impact on life insurance contracts) is immediately recognized in base earnings. This can lead to a difference in the base earnings recognition while not impacting Canada Life's regulatory capital (LICAT) position. Canada Life's diverse portfolio continues to minimize the impact on capital from changes in mortality as the increased CSM balances on the longevity blocks provide an increase to Tier 1 available capital for LICAT which mitigates the immediate earnings recognition on the mortality blocks. This capital treatment is more reflective that the underlying economics of these blocks of business have not changed, rather only the timing of how experience is reflected in earnings has changed.

The removal of the direct link between assets and liabilities led to a modest decrease in base earnings as the impact of trading activity on certain lines of business is deferred rather than immediately reflected into earnings. The Company elected to use a top-down, own assets reference portfolio approach to set liability discount rates for fulfillment cashflows for most portfolios of business. For other lines of business, as the Company rebalances fixed income investments within the reference portfolio, this can change the top-down discount rates used to measure insurance contract liabilities which leads to trading activity being recognized in earnings immediately.

There is also greater net earnings volatility under IFRS 17 due to the removal of the direct link between assets and liabilities resulting in differences in the change in liabilities compared to the change in supporting assets. The Company reviewed its asset liability management and accounting policy decisions with the transition to IFRS 17, with the focus of maintaining Canada Life's regulatory capital (LICAT) stability.

- For example, in instances where investment strategy uses equities or other non-fixed income (NFI) assets, or mortgage assets which are valued at amortized cost, as a component of general fund assets supporting liabilities, interest rate exposure arises in the net earnings under IFRS 17. However, this additional net earnings volatility offsets other LICAT impacts leading to greater LICAT stability.
- As equity and real estate markets move up or down, the change in the asset carrying values (marked-to-market movements) are now recognized in earnings as opposed to being offset in the CALM process under IFRS 4. However, this additional net earnings volatility leads to a limited LICAT impact due to the limited use of NFI assets.

Over the 2022 comparative period, the Company observed the following key items:

- A 1.8% decrease in base earnings with approximately 70% of business experience limited or no change in earnings. This decrease was driven by deferral of new business gains and certain trading activity, partially offset by higher in-force earnings driven by the CSM amortization and deferral of certain non-financial experience.
- An increase in net earnings volatility due to market experience that was a result of the heightened market volatility within 2022; however, the Company’s financial strength and the Canada Life proforma LICAT ratio was stable over 2022.

CONSOLIDATED OPERATING RESULTS

Selected consolidated financial information
(in Canadian $ millions, except for per share amounts)

	As at or for the three months ended		
	Mar. 31 2023	Dec. 31 2022 (Restated)	Mar. 31 2022 (Restated)
Earnings			
Base earnings[1]	**$ 808**	$ 869	$ 712
Net earnings - common shareholders	**595**	452	1,334
Per common share			
Basic:			
Base earnings[2]	**0.87**	0.93	0.76
Net earnings	**0.64**	0.48	1.43
Diluted net earnings	**0.64**	0.48	1.43
Dividends paid	**0.52**	0.49	0.49
Book value[3]	**23.45**	23.28	21.65
Base return on equity[2]	**15.8 %**	15.7 %	
Return on equity[3]	**13.4 %**	17.2 %	
Base dividend payout ratio[2]	**60.0 %**	52.7 %	64.5 %
Dividend payout ratio[3]	**81.3 %**	102.1 %	34.3 %
Financial leverage ratio[4]	**33 %**	33 %	33 %
Price/earnings ratio[3]	**11.7X**	8.9X	
Price/book value ratio[3]	**1.5X**	1.3X	
Total assets per financial statements	**$ 691,853**	$ 672,206	
Total assets under management[1]	**1,040,214**	1,003,940	
Total assets under administration[1]	**2,596,151**	2,468,463	
Total contractual service margin (net of reinsurance held)	**13,043**	13,123	
Total equity	**$ 29,037**	$ 28,795	
Canada Life Assurance Company consolidated LICAT Ratio[5]	**127 %**		
Canada Life Assurance Company consolidated LICAT Ratio - proforma[6]		130 %	127 %

1 This metric is a non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures and Ratios" section of this document for additional details.
2 This metric is a non-GAAP ratio. Refer to the "Non-GAAP Financial Measures and Ratios" section of this document for additional details.
3 Refer to the "Glossary" section of this document for additional details on the composition of this measure.
4 The calculation for financial leverage ratio includes the after-tax non-participating CSM balance in the denominator, other than CSM associated with segregated fund guarantees. This reflects that the CSM represents future profit and is considered available capital under LICAT. These ratios are estimates based on available data.
5 The Life Insurance Capital Adequacy Test (LICAT) Ratio is based on the consolidated results of The Canada Life Assurance Company (Canada Life), Lifeco's major Canadian operating subsidiary. The LICAT Ratio is calculated in accordance with the Office of Superintendent of Financial Institutions' guideline - Life Insurance Capital Adequacy Test. Refer to the "Capital Management and Adequacy" section of this document for additional details.
6 Proforma estimates of the Canada Life Assurance Company consolidated LICAT ratio are estimated based on the retrospective application of the 2023 LICAT Guideline to 2022 financial results which have been restated to reflect the adoption of IFRS 17 and IFRS 9. Proforma LICAT ratios are intended only to provide an estimate of the direction and magnitude of the impact of adopting the 2023 LICAT Guideline under IFRS 17. Refer to the Cautionary Notes at the beginning of this document for additional information on the use of proforma estimates.

DEVELOPMENTS

- The Company has adopted and successfully implemented IFRS 17, Insurance Contracts (IFRS 17) and IFRS 9, Financial Instruments (IFRS 9) effective January 1, 2023[3]. This milestone marks the culmination of a multi-year enterprise-wide initiative that involved significant contributions from the Company's actuarial, accounting, technology and business teams as well as collaboration with industry peers, regulatory bodies and other stakeholders. The new reporting regime provides improved visibility as to the strong underlying economics and diversification of Lifeco's portfolio through enhanced disclosures and metrics. These new standards do not have a material financial impact or result in a material change in the level of invested assets, nor do they change the underlying economics of the Company's business activities or change the Company's business strategy.
- As the Company is advancing its business strategy and driving momentum across the portfolio, it is enhancing its reporting and disclosures to provide greater clarity and transparency into how the Company is creating value for shareholders and growing the business.

  The result is that the Company is evolving the previous value-creation priorities to focus on three key value drivers for its business: Workplace Solutions, Wealth & Asset Management and Insurance & Risk Solutions.

  The Company is also providing enhanced disclosures at both the portfolio and segment levels to show how its businesses are organized against these value drivers and the scope, scale and opportunity for growth in each.
- In late March 2023, Canada Life launched digital enrolment for members of the Public Service Health Care Plan (PSHCP). Enrolment will be managed in waves with over 700,000 invites issued and follow-up reminders to continue to July 1, 2023. The Company has approximately 290,000 members enrolled, with over 90% of those also registered digitally on My Canada Life at Work with direct deposit of claims payments.
- Following the completion of Empower's acquisition of the full-service retirement services business of Prudential Financial, Inc. (Prudential) in April 2022, Empower's reach in the U.S. has expanded to approximately 82,000 workplace savings plans as of March 31, 2023.

  As of March 31, 2023, US$43 million of pre-tax run rate cost synergies have been achieved to date of a total US$180 million expected by the end of the second quarter of 2024 as Empower migrates Prudential's retirement services business onto the Empower recordkeeping platform.
- Putnam continues to drive strong investment performance across asset classes. Putnam ranked 2nd (out of 47 fund families), 3rd (out of 49) and 9th (out of 49) for ten-, five- and one-year performance, respectively, in the 2022 Barron's Annual Best Fund Families rankings, released in the first quarter of 2023. Putnam is the only firm to rank in the top 10 in all three time periods.
- In February, Putnam officially launched the Putnam Sustainable Retirement Funds, a target-date series for the retirement savings marketplace. The suite invests in actively managed sustainable and environmental, social and governance (ESG)-focused exchange-traded funds (ETFs) reflecting the company's goal of providing innovative and high-performing funds for investors.

Strategic Highlights and Transactions

- Subsequent to the first quarter of 2023, on April 3, 2023, Canada Life announced an agreement to acquire Investment Planning Counsel Inc. (IPC), a leading independent wealth management firm, from IGM Financial Inc. (IGM). This acquisition accelerates our strategy of building the leading platform for independent advisors in Canada. With this acquisition, Canada Life will be one of the largest non-bank wealth management providers in Canada. Canada Life will acquire IPC for a total cash consideration of $575 million, subject to adjustments. Transaction and integration costs of $25 million pre-tax are expected over 18 months after the deal is closed. IGM is an affiliated company and a member of the Power Corporation group of companies. The transaction is expected to close in the fourth quarter of 2023 and is subject to customary closing conditions including regulatory approvals.

[3] Refer to the "Accounting Policies" section of this document and to notes 2 and 3 of the Company's condensed consolidated interim unaudited financial statements for the period ended March 31, 2023 for further details.

- In the first quarter of 2023, Empower launched Empower Personal Wealth with an expanded focus on retail wealth management. This new business is working to make money management simpler, clearer, and more accessible by bringing together everything a customer owns and owes in one comprehensive dashboard that they and their advisor can leverage to take control of their personal wealth. The results of the business acquired from Personal Capital are now included within Empower Personal Wealth results.
- During the first quarter of 2023, Irish Life combined its Irish brands: Invesco, Acumen and APT under a single wealth management umbrella. The new firm, Unio Financial Services Ltd., brings together three advisory firms into one firm with a common advisory and investment proposition for clients. The new company will provide expert advice for thousands of individuals who are currently either under-advised, or not being serviced at all on how to effectively manage their wealth. Underpinned by a market-leading digital platform, Unio will provide personalized client advice and investment solutions to a growing and underserved population.

Capital Transactions

- Subsequent to the first quarter of 2023, on April 18, 2023, the Company repaid the principal amount of its maturing 2.5% €500 million senior bonds, together with accrued interest.

Macroenvironmental Risks

Many factors continue to extend economic uncertainty and global financial markets continue to be volatile. The environment is displaying elevated levels of inflation and tighter financial conditions, and there are emerging liquidity concerns with respect to certain U.S. and European banks. Central banks are weighing these factors in consideration of interest rate decisions in many of the countries in which the Company operates. The outlook for financial and real estate markets over the short and medium-term remains highly uncertain and the Company actively monitors events and information globally.

Throughout 2022 and into 2023, commercial real estate office markets in Europe and North America showed signs of slowdown due to dampened demand from a continued lag faced by employers on return-to-office plans, leading to higher vacancy rates and deteriorating operating performance, driven as well by challenging economic and capital market conditions. This has resulted in certain valuation reductions reflecting the current outlook for office properties. As market conditions evolve, the Company may be required to apply further valuation reductions.

The Company's strategies are resilient and flexible, positioning it to navigate current market conditions and continue to identify and pursue opportunities, including organic growth and acquisition activities, while supporting customers and employees in an evolving environment.

BASE AND NET EARNINGS

Consolidated base earnings and net earnings of Lifeco include the base earnings and net earnings of Canada Life (and its operating subsidiaries), Empower and Putnam, together with Lifeco's Corporate operating results.

With the adoption of IFRS 17, the Company has refined the definition of base earnings (loss)[4], a non-IFRS financial measure. This is applicable as of January 1, 2023 and has been applied to the restated unaudited 2022 comparative periods. Overall, the Company's principles in defining base earnings (loss) have remained consistent. Base earnings (loss) continues to represent management's view of the underlying business performance of the Company and provides an alternate measure to understand the underlying business performance compared to IFRS net earnings.

Base earnings (loss) exclude the following items from IFRS reported net earnings:

- Market-related impacts, where actual market returns in the current period are different than longer-term expected returns on assets and liabilities;
- Assumption changes and management actions that impact the measurement of assets and liabilities;
- Acquisition transaction costs;
- Restructuring and integration costs;
- Material legal settlements, material impairment charges related to goodwill and intangible assets, impacts of income tax rate changes and other tax impairments, net gains, losses or costs related to the disposition or acquisition of a business; and
- Other items that, when removed, assist in explaining the Company's underlying business performance.

The definition of base earnings (loss) has been refined (in 2023 and applied to 2022 comparative results) to also exclude the following impacts that are included in IFRS reported net earnings for an improved representation of the Company's underlying business performance, as well as for consistency and comparability with financial services industry peers:

- Realized gains (losses) on the sale of assets measured at fair value through other comprehensive income (FVOCI);
- The direct equity and interest rate impacts on the measurement of surplus assets and liabilities; and
- Amortization of acquisition related finite life intangible assets.

[4] This metric is a non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures and Ratios" section of this document for additional details.

Base earnings[1] and net earnings - common shareholders by segment

	For the three months ended		
	Mar. 31 2023	Dec. 31 2022 (Restated)	Mar. 31 2022 (Restated)
Base earnings (loss)[1]			
Canada	**$ 278**	$ 260	$ 224
United States	**200**	190	144
Europe	**178**	256	176
Capital and Risk Solutions	**157**	181	171
Lifeco Corporate	**(5)**	(18)	(3)
Lifeco base earnings[1]	**$ 808**	$ 869	$ 712
Items excluded from base earnings			
Market experience gains and losses[2]	**$ (168)**	$ (386)	$ 686
Assumption changes and management actions[2]	**7**	(29)	(18)
Transaction costs related to acquisitions[3]	**—**	(5)	(7)
Restructuring and integration costs	**(19)**	(32)	(12)
Tax legislative changes impact	**—**	63	—
Amortization of acquisition-related finite life intangibles	**(33)**	(28)	(27)
Items excluded from Lifeco base earnings	**$ (213)**	$ (417)	$ 622
Net earnings (loss) - common shareholders			
Canada	**$ 233**	$ 352	$ 443
United States	**151**	142	112
Europe	**40**	(25)	544
Capital and Risk Solutions	**184**	3	234
Lifeco Corporate	**(13)**	(20)	1
Lifeco net earnings - common shareholders	**$ 595**	$ 452	$ 1,334

1 This metric is a non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures and Ratios" section of this document for additional details.
2 Refer to the "Glossary" section of this document for additional details on the composition of this measure.
3 The transaction costs relate to acquisitions in the U.S. segment (the full-service retirement business of Prudential, Personal Capital and the retirement services business of MassMutual) as well as acquisitions in the Europe segment.

Base Earnings

Base earnings for the first quarter of 2023 of $808 million ($0.87 per common share) increased by $96 million or 13% from $712 million ($0.76 per common share) a year ago. The increase was primarily due to Prudential related base earnings of $69 million (US$51 million), higher contributions from investment experience and realized synergies from the MassMutual acquisition, as well as more favourable group insurance long term disability morbidity experience, pricing actions in Group Life and Health business and higher earnings on surplus in the Canada segment. These items were partially offset by lower fee income in the U.S. segment as well as unfavourable mortality experience in the Canada, Europe and Capital and Risk Solutions segments.

Net Earnings

Lifeco's net earnings for the three month period ended March 31, 2023 of $595 million ($0.64 per common share) decreased by $739 million or 55% compared to $1,334 million ($1.43 per common share) a year ago. The decrease was primarily due to unfavourable market experience driven by negative returns on non-fixed income assets and declining risk free rates in-quarter compared to positive contributions in the same quarter last year from rising interest rates. The decrease was partially offset by an increase in base earnings.

Lifeco's net earnings for the three month period ended March 31, 2023 of $595 million ($0.64 per common share) increased by $143 million or 32% compared to $452 million ($0.48 per common share) in the previous quarter. The increase in net earnings was primarily due to relatively less unfavourable market experience driven by improved non-fixed income returns and declining risk free rates in-quarter compared to more unfavourable contributions in the previous quarter. The increase was partially offset by less favourable impacts of trading activity in the Europe segment as well as unfavourable mortality experience in the Capital and Risk Solutions segment.

Items Excluded from Base Earnings

Market Experience Gains and Losses

In the regions where the Company operates, average equity market indices for the three months ended March 31, 2023 were down by 10% in the U.S. (as measured by S&P 500), 5% in Canada (as measured by S&P TSX), up 4% in the U.K. (as measured by FTSE 100) and 3% in broader Europe (as measured by EURO STOXX 50) compared to the same period in 2022. The major equity indices finished the first quarter of 2023 up 14% in broader Europe, 7% in the U.S., 4% in Canada and 2% in the U.K. compared to December 31, 2022.

Market experience gains and losses, which are reflected in the net investment result of the Company's consolidated statement of earnings, negatively impacted net earnings by $168 million in the first quarter of 2023 (positive impact of $686 million in the first quarter of 2022), mainly due to decreases in interest rates at long durations in Canada and U.K., and lower returns than expected on U.K. real estate assets.

In countries where the Company operates, interest rates decreased at long durations during 2023, resulting in a negative impact on net earnings. In order to mitigate the Company's exposure to interest rate fluctuations, the Company follows disciplined processes for matching asset and liability cash flows. As a result, the impact of changing interest rates is mostly mitigated in the current period, with the impact of changes in fair values of bonds backing insurance contract liabilities mostly offset by a corresponding change in the insurance contract liabilities. However, differences in the interest rate sensitivity in the value of assets and the value of insurance and investment contract liabilities leads to a sensitivity to interest rate movements in net earnings under IFRS 17 and IFRS 9. The Company’s asset liability management strategy uses equities and other non-fixed income assets as a component of general fund assets supporting liabilities, which leads to interest rate exposure in the net earnings. Further, the classification of financial assets under IFRS 9, for example, mortgage assets which are valued at amortized cost and held in the general fund assets supporting liabilities, also contributes to interest rate exposure in net earnings.

For a further description of the Company's sensitivity to equity market and interest rate fluctuations, including sensitivity disclosures as a result of current market conditions, refer to "Financial Instruments Risk Management", note 6 to the Company's condensed consolidated interim unaudited financial statements for the period ended March 31, 2023.

Assumption Changes and Management Actions

For the three months ended March 31, 2023, assumption changes and management actions resulted in a positive net earnings impact of $7 million reflecting minor model refinements of $2 million in Canada and $5 million in Europe. Additionally, there was a decrease of $6 million in contractual service margin due to minor model refinements.

Other Items Excluded from Base Earnings

For the first quarter of 2023, transaction costs related to acquisitions were nil compared to $7 million for the same quarter last year, primarily due to acquisitions in the Europe segment in the prior year. Restructuring and integration costs were $19 million, $7 million more compared to the same quarter last year, primarily related to recent acquisitions in the U.S. segment. Amortization of acquisition related finite life intangible assets was $33 million, an increase of $6 million compared to the same quarter last year, primarily due to recent acquisitions in the U.S. segment.

Foreign Currency

The average currency translation rate for the first quarter of 2023 increased for the U.S. dollar and the euro, and decreased for the British pound compared to the first quarter of 2022. The overall impact of currency movement on the Company's net earnings for the three months ended March 31, 2023 was an increase of $18 million compared to translation rates a year ago.

From December 31, 2022 to March 31, 2023, the market rates at the end of the reporting period used to translate the euro and British pound assets and liabilities to the Canadian dollar increased, while the U.S. dollar was comparable. The movements in end-of-period exchange rates impact the translation of foreign operations, including related hedge activities, resulting in post-tax unrealized foreign exchange gains of $120 million in-quarter recorded in other comprehensive income.

Translation rates for the reporting period and comparative periods are detailed in the "Translation of Foreign Currency" section.

LIFECO VALUE DRIVERS

As the Company is advancing its business strategy and driving momentum across the portfolio, it is enhancing its reporting and disclosures to provide greater clarity and transparency into how the Company is creating value for shareholders and growing the business.

The result is that the Company is evolving the previous value-creation priorities to focus on three key value drivers for its business: Workplace Solutions, Wealth & Asset Management and Insurance & Risk Solutions.

The Company is also providing enhanced disclosures at both the portfolio and segment levels to show how its businesses are organized against these value drivers and the scope, scale and opportunity for growth in each.

The following table displays how the various business units in each operating segment have been aligned with value drivers at the consolidated Lifeco level. Accordingly, the Company has updated how it refers to the business units within the Canada, Europe and U.S. operating segments.

A description of the value drivers and a supplemental view of base earnings and other key performance indicators at the consolidated Lifeco level are provided below.

	Operating Segments			
Value Drivers	**Canada**	**U.S.**	**Europe**	**Capital and Risk Solutions**
Workplace Solutions	Group Life & Health Group Retirement	Empower Defined Contribution	Group Life & Health Group Retirement	
Wealth & Asset Management	Individual Wealth Management	Empower Personal Wealth Asset Management	Individual Wealth & Asset Management	
Insurance & Risk Solutions	Insurance & Annuities		Insurance & Annuities	Reinsurance

Workplace Solutions

The Company has built millions of trusted relationships with customers through Workplace Solutions. These relationships are based on the consistent delivery of health and wellness benefits, as well as retirement solutions that are delivered at scale through employer sponsored plans as a core part of the business. The Company is also building lifetime customer relationships through a focus on deepening the advice and solutions to better meet customers' retirement, investment and wellness needs.

Selected Results

Workplace Solutions

	For the three months ended		
	Mar. 31 2023	Dec. 31 2022 (Restated)	Mar. 31 2022 (Restated)
Base earnings (loss)[1]	**$ 441**	$ 365	$ 321
Group Life & Health net book premiums[2]	**14,813**	14,280	13,773
Wealth net cash flows[2]	**12,233**	5,857	37,265
Fee and other income	**1,027**	1,006	827

1 This metric is a non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures and Ratios" section of this document for additional details.
2 Refer to the "Glossary" section of this document for additional details on the composition of this measure.

Workplace Solutions base earnings for the first quarter of 2023 of $441 million (approximately 55% of base earnings) increased by $120 million compared to the same quarter last year. The increase was primarily due to an increase of $58 million (US$43 million) related to the Prudential acquisition, realized synergies from the MassMutual acquisition, higher contributions from investment experience, and more favourable group insurance long term disability morbidity experience and pricing actions in Group Life and Health business.

Net cash inflows for the first quarter of 2023 of $12.2 billion decreased by $25.0 billion compared to the same quarter last year, primarily due to lower net inflows from Empower Defined Contribution as there were large plan sales in the first quarter of 2022 that were not repeated in 2023.

Fee and other income for the first quarter of 2023 of $1,027 million increased by $200 million compared to the same quarter last year, primarily due to fee income related to the Prudential acquisition and higher fee income on administrative services only contracts in the Canada segment.

Wealth & Asset Management

In partnership with over 234,000 advisor relationships globally, the Company is delivering targeted and sophisticated solutions supported by personalized advice to meet customers’ most complex personal wealth needs. The approach is enabled through investments in technology platforms and in market leading managed solutions to help advisors continue to meet the evolving needs of customers.

Selected Results

Wealth & Asset Management	As at or for the three months ended		
	Mar. 31 2023	Dec. 31 2022 (Restated)	Mar. 31 2022 (Restated)
Base earnings (loss)[1]	**$ 92**	$ 117	$ 100
Wealth net cash flows[2]	**2,253**	1,452	1,331
Fee and other income	**595**	602	600
CSM, segregated fund products	**3,355**	3,269	3,427

[1] This metric is a non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures and Ratios" section of this document for additional details.
[2] Refer to the "Glossary" section of this document for additional details on the composition of this measure.

Wealth & Asset Management base earnings of $92 million (approximately 11% of base earnings) decreased by $8 million compared to the same quarter last year. The decrease was primarily due to lower net fee income driven by lower average equity markets in all jurisdictions. These items were partially offset by an increase of $11 million (US$8 million) related to the Prudential acquisition as well as the impact of currency movements.

Net cash inflows were $2,253 million compared to net inflows of $1,331 million for the same quarter last year, primarily driven by an increase in net inflows at Empower Personal Wealth and a decrease in net outflows at U.S. Asset Management.

Insurance & Risk Solutions

The Company has a strong and stable insurance base which helps produce capital that is invested in areas of opportunity for growth. Additionally, with its sophisticated risk and capital management expertise, the Company is helping organizations manage their risks and deliver sustainable customer solutions. By leveraging this expertise, Lifeco is diversifying its portfolio, offsetting or counterbalancing risks and creating value for stakeholders including strong financial performance.

Selected Results

Insurance & Risk Solutions	As at or for the three months ended		
	Mar. 31 2023	Dec. 31 2022 (Restated)	Mar. 31 2022 (Restated)
Base earnings (loss)[1]	**$ 293**	$ 462	$ 294
New business CSM, excluding participating products	**59**	112	96
CSM, excluding participating products	**5,867**	5,831	5,762

[1] This metric is a non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures and Ratios" section of this document for additional details.

Insurance & Risk Solutions base earnings for the first quarter of 2023 of $293 million (approximately 36% of base earnings) decreased by $1 million compared to the same quarter last year. The decrease was primarily due to unfavourable mortality experience in the Canada, Europe and Capital and Risk Solutions segments. The decrease was partially offset by growth in the structured business and improved property catastrophe product margins in the Capital and Risk Solutions segment, as well as favourable insurance and annuity results and the favourable impact of changes to certain tax estimates in the Europe segment.

Closing CSM for the first quarter of 2023, excluding participating products, of $5,867 million was comparable to the fourth quarter of 2022 as the impact of new business, favourable longevity experience and the impact of currency movements were offset by CSM recognized for services provided.

STATEMENT OF EARNINGS

The following discussion sections reflect the statement of earnings presentation under IFRS 17 which provides a clearer picture of profit sources. For insurance contracts, at a high level, the impacts of insurance performance are presented separately from financial risks and investment income, through the Insurance Service Result and Net Investment Result, respectively. Other businesses such as Group Retirement, Group Administrative Services Only and Wealth & Asset Management are presented through Other Income and Expenses.

INSURANCE SERVICE RESULT

Insurance service result depicts the profit earned from providing insurance coverage and comprises the combined impact of insurance revenue, insurance expenses and net expenses from reinsurance contracts held. Insurance revenue reflects the consideration to which the insurer expects to be entitled in exchange for insurance services provided on an earned basis. Insurance expenses include incurred claims and other operating expenses directly attributable to the insurance contracts the Company issues. Net expenses from reinsurance contracts held represents the combined impact of allocated reinsurance premiums paid to and amounts recovered from reinsurers by the Company.

Insurance service result

	For the three months ended		
	Mar. 31 2023	Dec. 31 2022 (Restated)	Mar. 31 2022 (Restated)
Insurance service result			
Canada	**$ 341**	$ 335	$ 307
United States	**17**	18	7
Europe	**182**	156	175
Capital and Risk Solutions	**160**	189	192
Total insurance service result	**$ 700**	$ 698	$ 681

Insurance service result for the first quarter of 2023 of $700 million increased by $19 million compared to the first quarter of 2022. The increase was primarily due to more favourable group insurance long term disability morbidity experience, as well as pricing actions in the Canada segment and a reinsurance settlement gain in the Europe segment. The increase was partially offset by unfavourable mortality experience in the Canada, Europe and Capital and Risk Solutions segments.

NET INVESTMENT RESULT

Net investment result depicts the relationship between net investment income earned from managing the Company's financial assets and the impact of net finance income or expense from insurance and reinsurance contracts (the effect of the time value of money and changes in the time value of money and the effect of financial risk and changes in financial risk), including the effects of discount rates and other financial assumptions on valuing the Company's insurance contract liabilities.

Net investment result

	For the three months ended		
	Mar. 31 2023	Dec. 31 2022 (Restated)	Mar. 31 2022 (Restated)
Investment income earned (net of investment properties expenses)	**$ 2,186**	$ 2,208	$ 1,537
Net allowances for credit losses	**1**	(20)	—
Net realized gains (losses)	**(36)**	(29)	(4)
Regular investment income	**2,151**	2,159	1,533
Investment expenses	**(45)**	(71)	(52)
Net investment income	**2,106**	2,088	1,481
Changes in fair value through profit or loss	**3,573**	1,351	(11,298)
Total net investment income	**$ 5,679**	$ 3,439	$ (9,817)
Net finance expenses from insurance contracts	**(3,570)**	(1,611)	8,227
Net finance income from reinsurance contracts	**93**	(94)	(453)
Changes in investment contract liabilities	**(1,882)**	(1,668)	3,190
Total net investment result	**$ 320**	$ 66	$ 1,147
Segments:			
Canada	**$ (23)**	$ (72)	$ 324
United States	**362**	389	184
Europe	**(58)**	(81)	530
Capital and Risk Solutions	**42**	(177)	97
Lifeco Corporate	**(3)**	7	12
Total net investment result	**$ 320**	$ 66	$ 1,147

Total net investment result in the first quarter of 2023 decreased by $827 million compared to the same quarter last year. Expected investment result increased primarily due to income earned on bonds and mortgages acquired through the Prudential acquisition and higher earned rates and volumes at Empower in the U.S. segment. Additionally, favourable earnings on surplus were driven by higher interest rates compared to expectations and improved seed money returns in the U.S. segment. These items were more than offset by market experience losses, which are excluded from base earnings, compared to market experience gains in the first quarter of 2022 which were driven by material increases in interest rates and strong non-fixed income asset returns.

Credit Markets

In the first quarter of 2023, the Company experienced credit-related charges in net investment result, net of recoveries on expected credit losses, which negatively impacted common shareholders' net earnings by $2 million, primarily due to charges on impaired corporate bonds.

FEE AND OTHER INCOME

In addition to providing traditional risk-based insurance products, the Company also provides certain products on a fee-for-service basis. The most significant of these products are segregated funds and mutual funds, for which the Company earns investment management fees on assets managed and other fees, as well as administrative services only (ASO) contracts, under which the Company provides group benefit plan administration on a cost-plus basis.

Fee and other income

	For the three months ended		
	Mar. 31 2023	Dec. 31 2022 (Restated)	Mar. 31 2022 (Restated)
Canada	**$ 325**	$ 313	$ 310
United States	**1,130**	1,144	947
Europe	**186**	168	193
Capital and Risk Solutions	**2**	4	1
Total fee and other income	**$ 1,643**	$ 1,629	$ 1,451

The information in the table above is a summary of gross fee and other income for the Company. Additional commentary regarding fee and other income is included, as applicable, in the "Segmented Operating Results" section.

EXPENSES

Expenses shown below are represented in the Company's consolidated statement of earnings by either insurance service expense or in other income and expenses depending on whether or not those expenses are directly attributable to the Company's insurance businesses.

Expenses

	For the three months ended		
	Mar. 31 2023	Dec. 31 2022 (Restated)	Mar. 31 2022 (Restated)
Insurance service operating and administrative expenses[1]	**$ 448**	$ 359	$ 439
Other operating and administrative expenses	**1,792**	1,820	1,488
Total operating and administrative expenses	**$ 2,240**	$ 2,179	$ 1,927
Amortization of acquisition-related finite life intangible assets	**45**	37	35
Amortization of software finite life intangible assets	**51**	58	51
Financing charges	**115**	113	88
Restructuring and integration expenses	**26**	43	17
Total	**$ 2,477**	$ 2,430	$ 2,118

1 Excluded from the above table, but included in insurance service expenses for the period ended March 31, 2023, are $3.5 billion ($3.3 billion for the period ended March 31, 2022) primarily relating to claims and benefits paid, adjustments to the liability for incurred claims and losses (reversal of losses) on onerous insurance contracts and assets for insurance acquisition cash flows. Refer to note 9 of the Company's condensed consolidated interim unaudited financial statements for the period ended March 31, 2023 for additional detail.

For the three months ended March 31, 2023, expenses increased by $359 million to $2,477 million compared to the same period last year, primarily due to higher operating and administrative expenses driven by the acquisition of Prudential's retirement services business. In addition, expenses in the Canada segment were higher driven by onboarding the Federal Government Health plan and associated technology expenses. Financing charges were higher compared to the same period last year driven by the issuance of a €500 million euro bond on November 16, 2022. Restructuring and integration expenses increased compared to the same period last year, primarily due to higher integration costs related to the acquisition of Prudential's retirement services business.

INCOME TAXES

The Company's effective income tax rate on earnings attributable to common shareholders and total Lifeco earnings are presented below.

Effective income tax rate

	For the three months ended		
	Mar. 31 2023	Dec. 31 2022[2] (Restated)	Mar. 31 2022[2] (Restated)
Base earnings - Common shareholders[1]	**10.9 %**	11.2 %	9.4 %
Net earnings - Common shareholders	**6.6 %**	1.2 %	14.8 %
Net earnings - Total Lifeco	**4.6 %**	(10.6)%	12.9 %

1 This metric is a non-GAAP ratio. Refer to the "Non-GAAP Financial Measures and Ratios" section of this document for additional details.
2 The effective income tax rates for the comparative figures have been restated to reflect the adoption of IFRS 17 and IFRS 9. As IFRS 17 and IFRS 9 impacted the composition of earnings in all jurisdictions, the changes in the effective income tax rates were due to the jurisdictional mix of earnings.

The Company's effective income tax rate is generally lower than the statutory income tax rate of 28.0% due to benefits related to non-taxable investment income and lower income tax in certain foreign jurisdictions.

A Canadian federal corporate income tax rate change, enacted in 2022 (effective after April 7, 2022), increased the statutory income tax rate from 26.5% to 28.0% (prorated to 27.5% in 2022).

In the first quarter of 2023, the effective income tax rate on base earnings for the common shareholders of 10.9% was up from 9.4% in the first quarter of 2022, primarily due to changes in certain tax estimates. In the first quarter of 2023, the effective income tax rate on net earnings for the common shareholders of 6.6% was down from 14.8% in the first quarter of 2022, primarily due to jurisdictional mix of earnings and higher non-taxable investment income.

In the first quarter of 2023, the overall effective income tax rate on net earnings of 4.6%, was down from 12.9% in the first quarter of 2022, primarily due to jurisdictional mix of earnings and higher non-taxable investment income.

In the first quarter of 2023, the overall effective income tax rate on net earnings of 4.6%, was up from negative 10.6% in the fourth quarter of 2022, primarily due to changes in certain tax estimates, partially offset by jurisdictional mix of earnings.

Refer to note 17 to the Company's condensed consolidated interim unaudited financial statements for the period ended March 31, 2023 for further details.

In December 2021, the Organization for Economic Co-operation and Development (OECD) published model rules outlining a structure for a new global minimum tax regime to be implemented by participating countries at an agreed future date, currently expected (for most countries) to be 2024. Detailed commentary on the rules was released by the OECD during 2022. In the March 2023 federal budget, the Canadian government confirmed its commitment to implement the global minimum tax with effect for fiscal years that begin on or after December 31, 2023. In December 2022, the European Union adopted a directive that member countries must enact the 15% minimum tax into their national laws by end of 2023. The U.K. plans to implement the minimum tax effective for 2024. At this point, the countries where the Company currently operates have all indicated their participation. A number of these countries currently operate at a lower tax rate than the proposed minimum and when legislation is enacted the Company expects an increase in the effective income tax rate. The Company is awaiting the legislation and detailed guidance to assess the full implications of the minimum tax regime.

The U.S. Inflation Reduction Act of 2022, signed into law in August 2022 and effective January 1, 2023, introduced a 15% corporate alternative minimum tax on financial statement income. While it is expected that this tax will advance cash tax payments, the Company does not expect there will be any impact on its overall effective income tax rate.

SEGMENTED OPERATING RESULTS

The consolidated operating results of Lifeco, including the comparative figures, are presented on an IFRS basis after capital allocation. Consolidated operating results for Lifeco comprise the net earnings of Canada Life (and its operating subsidiaries), Empower and Putnam, together with Lifeco's corporate results. The following sections analyze the performance of Lifeco's four major reportable segments: Canada, United States (U.S.), Europe and Capital and Risk Solutions.

TRANSLATION OF FOREIGN CURRENCY

For the United States, Europe and Capital and Risk Solutions segments, foreign currency assets and liabilities are translated into Canadian dollars at the market rate at the end of the financial period. All income and expense items are translated at an average rate for the period.

CANADA

The Canada segment of Lifeco includes the operating results of the Canadian businesses operated by Canada Life, together with an allocation of a portion of Lifeco's corporate results. The Canada business units align to Lifeco's Value Drivers and are included in the information below as follows:

- Workplace Solutions offers group life and health and group retirement products through employer sponsored plans and individual product solutions, including life, accidental death and dismemberment, disability, critical illness, health and dental protection, creditor insurance as well as retirement savings and income and annuity products and other specialty products.
- Individual Wealth Management provides wealth savings and income products to individuals.
- Insurance & Annuities offers life, disability and critical illness insurance products to individuals, as well as individual life annuities and single premium group annuities.

DEVELOPMENTS

- Subsequent to the first quarter of 2023, on April 3, 2023, Canada Life announced an agreement to acquire Investment Planning Counsel Inc. (IPC), a leading independent wealth management firm, from IGM Financial Inc. (IGM). This acquisition accelerates our strategy of building the leading platform for independent advisors in Canada. With this acquisition, Canada Life will be one of the largest non-bank wealth management providers in Canada. Canada Life will acquire IPC for a total cash consideration of $575 million, subject to adjustments. Transaction and integration costs of $25 million pre-tax are expected over 18 months after the deal is closed. IGM is an affiliated company and a member of the Power Corporation group of companies. The transaction is expected to close in the fourth quarter of 2023 and is subject to customary closing conditions including regulatory approvals.
- On January 26, 2023, several Canada Life investment funds were recognized at the annual Fundata FundGrade A+ Celebration of Excellence. The FundGrade A+ award is a highly prized achievement in the Canadian investment funds industry, given to investment funds and managers who show consistent, outstanding, risk-adjusted performance throughout the year.
- In late March 2023, Canada Life launched digital enrolment for members of the Public Service Health Care Plan (PSHCP). Enrolment will be managed in waves with over 700,000 invites issued and follow-up reminders to continue to July 1, 2023. The Company has approximately 290,000 members enrolled, with over 90% of those also registered digitally on My Canada Life at Work with direct deposit of claims payments.
- During the quarter, Canada Life officially launched its Gender Affirmation benefit for group clients, which supplements coverage provided under provincial and territorial plans. Gender affirmation coverage helps plan members through transition to live life as their authentic selves. This supplementary coverage contributes to a more inclusive plan that considers the needs of all members and is associated with improved overall well-being.
- The Company launched Canada Life My Par Gift™, a first-of-its-kind, innovative participating life insurance product for donors and registered charities.
- Subsequent to the first quarter, on April 27, 2023, Canada Life announced that the dividend scale will increase for the Canada Life combined open participating account for the second year in a row; the dividend scale interest rate will increase by 25 basis points to 5.50% effective July 1, 2023.

SELECTED FINANCIAL INFORMATION - CANADA

	For the three months ended		
	Mar. 31 2023	Dec. 31 2022 (Restated)	Mar. 31 2022 (Restated)
Base earnings (loss)[1]			
Workplace Solutions	**$ 159**	$ 141	$ 110
Individual Wealth Management	**61**	44	43
Insurance & Annuities	**43**	120	63
Corporate	**15**	(45)	8
Base earnings (loss)[1]	**$ 278**	$ 260	$ 224
Items excluded from base earnings			
Market experience gains and losses[2]	**$ (43)**	$ 61	$ 226
Assumption changes and management actions[2]	**2**	(27)	(2)
Tax legislative changes impact	**—**	63	—
Amortization of acquisition-related finite life intangibles	**(4)**	(5)	(5)
Net earnings	**$ 233**	$ 352	$ 443
Sales[2]			
Group Life & Health	**$ 180**	$ 138	$ 255
Group Retirement	**758**	1,068	954
Individual Wealth Management	**2,658**	2,545	2,913
Insurance & Annuities	**156**	278	183
Group Life & Health net book premiums[2]	**$ 12,583**	$ 12,155	$ 11,645
Net cash flows[2]			
Group Retirement	**$ 418**	$ 186	$ 541
Individual Wealth Management	**(437)**	(329)	173
Net cash flows[2]	**$ (19)**	$ (143)	$ 714
Fee and other income			
Workplace Solutions	**$ 228**	$ 219	$ 209
Individual Wealth Management	**90**	88	93
Corporate	**7**	6	8
Fee and other income	**$ 325**	$ 313	$ 310
Total assets	**$ 196,302**	$ 190,249	
Other assets under management[2,3]	**3,960**	4,057	
Total assets under management[1]	**200,262**	194,306	
Other assets under administration[2]	**26,989**	26,344	
Total assets under administration[1]	**$ 227,251**	$ 220,650	
Contractual service margin			
Individual Wealth Management	**$ 1,903**	$ 1,878	$ 2,201
Insurance & Annuities - Non-Par	**1,268**	1,264	1,634
Insurance & Annuities - Par	**3,161**	3,376	2,720
Contractual service margin	**$ 6,332**	$ 6,518	$ 6,555

1 This metric is a non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures and Ratios" section of this document for additional details.
2 Refer to the "Glossary" section of this document for additional details on the composition of this measure.
3 At March 31, 2023, Canada Life had $7.1 billion of proprietary mutual fund assets held by retail clients ($6.9 billion at December 31, 2022); however, $3.1 billion ($2.9 billion as at December 31, 2022) of these assets are consolidated as investments on account of segregated fund policyholders on the Company's balance sheet.

Base and net earnings
In the first quarter of 2023, the Canada segment's net earnings of $233 million decreased by $210 million compared to the same quarter last year. Base earnings of $278 million increased by $54 million compared to the same quarter last year, primarily due to more favourable group insurance long term disability morbidity experience, pricing actions in the Group Life & Health business and higher earnings on surplus, partially offset by unfavourable individual insurance mortality experience.

Items excluded from base earnings were negative $45 million compared to positive $219 million for the same quarter last year. Market experience losses were $43 million in the first quarter of 2023 due to declining interest rates compared to market experience gains of $226 million in the same quarter last year due to rising interest rates.

For the first quarter of 2023, the net loss attributable to the participating account was $22 million compared to net earnings of $27 million for the same quarter last year, primarily driven by lower earnings on surplus assets and unfavourable impacts of changes in certain tax estimates.

Sales
Group Life & Health sales for the first quarter of 2023 of $180 million decreased by $75 million compared to the same quarter last year, primarily due to slower markets in the national and mid-market segments, partially offset by higher small case sales. Group Retirement sales for the first quarter of 2023 of $758 million decreased by $196 million compared to the same quarter last year, primarily due to slower markets and large sales in prior year that did not recur. Individual Wealth Management sales for the first quarter of 2023 of $2,658 million decreased by $255 million compared to the same quarter last year, primarily due to lower markets. Insurance & Annuities sales for the first quarter of 2023 of $156 million decreased by $27 million compared to the same quarter last year, primarily due to lower single premium group annuity sales, partially offset by higher individual life participating insurance sales.

Net book premiums
Group Life & Health net book premiums for the first quarter of 2023 of $12,583 million increased by $938 million compared to the same quarter last year, primarily due to general market growth and increased utilization of healthcare services.

Net cash flows
In the first quarter of 2023, net cash outflows were $19 million compared to net inflows of $714 million for the same quarter last year. The decrease was primarily due to lower individual deposits similar to the industry, as well as higher individual segregated fund withdrawals.

Fee and other income
Fee and other income for the first quarter of 2023 of $325 million increased by $15 million compared to the same quarter last year, primarily due to higher fee income on ASO contracts.

Contractual service margin (CSM)
Contractual service margin at March 31, 2023 was $6,332 million, a decrease of $186 million compared to December 31, 2022, primarily due to a decrease in Participating CSM driven by movements in interest rates, partially offset by an increase in Individual Wealth Management CSM driven by the favourable impact of markets on future segregated funds margins.

UNITED STATES

The United States segment operating results for Lifeco include the results of Empower Annuity Insurance Company of America (Empower), Putnam Investments (Asset Management) and the results of the insurance businesses in the U.S. branch of Canada Life, together with an allocation of a portion of Lifeco's corporate results. The U.S. business units align to Lifeco's Value Drivers and are included in the information below as follows:

- Empower Defined Contribution helps people with saving, investing and advice through employer sponsored plans and individual product solutions. Empower Defined Contribution aligns with the Workplace Solutions value driver.
- Empower Personal Wealth offers retail wealth management products and services.
- Asset Management provides investment management services and related administrative functions and distribution services and offers a broad range of investment products.
- Included in the Corporate business unit are a retained block of life insurance, predominately participating policies, which are now administered by Protective Life, as well as a closed retrocession block of life. Items not associated directly with or allocated to Empower and Asset Management, including the impact of certain non-continuing items related to the U.S. segment are also included in the Corporate business unit.

DEVELOPMENTS

Empower

- In the first quarter of 2023, Empower launched Empower Personal Wealth with an expanded focus on retail wealth management. This new business is working to make money management simpler, clearer, and more accessible by bringing together everything a customer owns and owes in one comprehensive dashboard that they and their advisor can leverage to take control of their personal wealth. The results of the business acquired from Personal Capital are now included within Empower Personal Wealth results.
- On April 1, 2022, Empower completed the acquisition of the full-service retirement services business of Prudential Financial, Inc. (Prudential). With the completion of the acquisition, Empower's reach in the U.S. has expanded to approximately 82,000 workplace savings plans as of March 31, 2023.

  The Company funded the total transaction value of US$3,480 million with US$1,193 million of limited recourse capital notes and US$823 million of short-term debt, in addition to existing resources.

  Empower anticipates realizing cost synergies through the migration of Prudential's retirement services business onto Empower's recordkeeping platform. Estimated run-rate cost synergies of US$180 million are expected to be phased in over 24 months primarily when systems migrations are completed. As of March 31, 2023, US$43 million of pre-tax run rate cost synergies have been achieved. Revenue synergies of US$20 million are expected on a run-rate basis by the end of 2024 and are expected to grow to US$50 million by 2026.

  Empower expects to incur one-time integration and restructuring expenses of US$170 million pre-tax related to the Prudential acquisition, US$17 million pre-tax of which were incurred in the first quarter of 2023. The integration is expected to be completed in the first half of 2024.

(in US$ millions)	**For the three months ended**		**Total expensed to date**
	Mar. 31 2023	Dec. 31 2022	**Mar. 31 2023**
Restructuring and integration (pre-tax)	**$ 17**	$ 18	**$ 85**
Restructuring and integration (post-tax)	**12**	14	**63**

- Empower assets under administration (AUA) were US$1.4 trillion at March 31, 2023, an increase of US$0.3 trillion compared to March 31, 2022 and an increase of US$0.1 trillion compared to December 31, 2022. Empower participant accounts have grown to 18.1 million at March 31, 2023, up from 13.2 million at March 31, 2022 and 17.8 million at December 31, 2022. The increases in AUA and participants compared to March 31, 2022 were primarily the result of the Prudential acquisition.

Asset Management

- Ending assets under management (AUM) at March 31, 2023 of US$169.1 billion decreased by US$23.2 billion compared to the same period last year, while average AUM for the three months ended March 31, 2023 of US$168.3 billion decreased by US$25.5 billion compared to the same period last year due to the impact of lower markets, as well as cumulative net outflows. Fundamental equity flows were positive in-quarter for the second consecutive quarter.

- On February 10, 2023, Putnam launched the Putnam Sustainable Retirement Funds, a target-date series for the retirement savings marketplace. The suite invests in actively managed sustainable and environmental, social and governance (ESG)-focused exchange-traded funds (ETFs).

- Putnam continues to sustain strong investment performance relative to its peers. As of March 31, 2023, approximately 76% and 81% of fund assets performed at levels above the Lipper median on a three-year and five-year basis, respectively. In addition, 45% and 68% of fund assets were in the Lipper top quartile on a three-year and five-year basis, respectively. Putnam has 35 funds currently rated 4 or 5 stars by Morningstar Ratings.

- Putnam continues to sustain strong investment performance across asset classes. Putnam ranked 2nd (out of 47), 3rd (out of 49) and 9th (out of 49) for the ten-year, five-year and one-year performance, respectively, in the 2022 Barron's Annual Best Fund Families rankings, which were released in the first quarter of 2023. Putnam is the only firm to rank in the top 10 in all three time periods. Putnam also ranked 4th and 5th in the Taxable Bond and U.S. Equity categories, respectively.

SELECTED FINANCIAL INFORMATION - UNITED STATES

	For the three months ended		
	Mar. 31 2023	Dec. 31 2022 (Restated)	Mar. 31 2022 (Restated)
Base earnings (loss)[1]			
Empower Defined Contribution	**$ 224**	$ 183	$ 142
Empower Personal Wealth	**27**	40	10
Asset Management	**(27)**	(22)	(2)
Corporate	**(24)**	(11)	(6)
Base earnings (loss)	**$ 200**	$ 190	$ 144
Items excluded from base earnings			
Market experience gains and losses[2]	**$ (5)**	$ —	$ —
Restructuring and integration costs	**(19)**	(32)	(12)
Transaction costs related to acquisitions	**—**	—	(1)
Amortization of acquisition-related finite life intangibles	**(25)**	(16)	(19)
Net earnings - common shareholders	**$ 151**	$ 142	$ 112
Net flows[2]	**$ 11,247**	$ 6,233	$ 34,995
Fee and other income	**1,130**	1,144	947
Base earnings (loss) (US$)[1]	**$ 149**	$ 141	$ 112
Items excluded from base earnings (US$)			
Market experience gains and losses[2]	**$ (3)**	$ —	$ —
Restructuring and integration costs	**(14)**	(23)	(9)
Transaction costs related to acquisitions	**—**	—	(1)
Amortization of acquisition-related finite life intangibles	**(18)**	(13)	(15)
Net earnings - common shareholders (US$)	**$ 114**	$ 105	$ 87
Net flows (US$)[2]	**$ 8,331**	$ 4,583	$ 27,555
Fee and other income (US$)	**837**	842	745
Total assets (US$)	**$ 224,773**	$ 219,408	
Other assets under administration[2]	**212,995**	205,287	
Total assets under management[1]	**437,768**	424,695	
Other assets under administration[2]	**1,123,756**	1,056,914	
Total assets under administration (US$)[1]	**$ 1,561,524**	$ 1,481,609	
Total assets under administration (C$)[1]	**$ 2,108,057**	$ 2,000,173	

1 This metric is a non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures and Ratios" section of this document for additional details.
2 Refer to the "Glossary" section of this document for additional details on the composition of this measure.

Note: The United States segment does not have a material contractual service margin (CSM) balance.

Empower Additional Financial Information

	For the three months ended		
	Mar. 31 2023	Dec. 31 2022 (Restated)	Mar. 31 2022 (Restated)
Base earnings[1]	**$ 251**	$ 223	$ 152
Items excluded from base earnings			
Market experience gains and losses[2]	**$ (7)**	$ 9	$ (3)
Restructuring and integration costs	**(19)**	(28)	(12)
Amortization of acquisition-related finite life intangibles	**(23)**	(14)	(18)
Net earnings - common shareholders	**$ 202**	$ 190	$ 119
Net flows[2]			
Empower Defined Contribution	**$ 9,334**	$ 4,964	$ 34,681
Empower Personal Wealth	**4,243**	3,287	3,406
Net flows[2]	**$ 13,577**	$ 8,251	$ 38,087
Fee and other income			
Empower Defined Contribution	**$ 740**	$ 738	$ 555
Empower Personal Wealth	**119**	112	96
Fee and other income	**$ 859**	$ 850	$ 651
Base earnings (US$)[1]	**$ 186**	$ 165	$ 119
Items excluded from base earnings (US$)			
Market experience gains and losses[2]	**$ (5)**	$ 6	$ (3)
Restructuring and integration costs	**(14)**	(20)	(9)
Amortization of finite life intangibles	**(17)**	(11)	(14)
Net earnings - common shareholders (US$)	**$ 150**	$ 140	$ 93
Net flows (US$)[2]			
Empower Defined Contribution	**$ 6,914**	$ 3,650	$ 27,308
Empower Personal Wealth	**3,143**	2,417	2,682
Net flows (US$)[2]	**$ 10,057**	$ 6,067	$ 29,990
Fee and other income (US$)			
Empower Defined Contribution	**$ 548**	$ 543	$ 437
Empower Personal Wealth	**88**	83	75
Fee and other income (US$)	**$ 636**	$ 626	$ 512

1 This metric is a non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures and Ratios" section of this document for additional details.
2 Refer to the "Glossary" section of this document for additional details on the composition of this measure.

Base and net earnings

In the first quarter of 2023, Empower's net earnings increased by US$57 million to US$150 million compared to the same quarter last year. Base earnings of US$186 million increased by US$67 million compared to the same quarter last year, primarily due to an increase of US$51 million related to the Prudential acquisition, as well as higher contributions from investment experience and realized synergies from the MassMutual acquisition. These items were partially offset by lower fee income driven by lower average equity markets.

Items excluded from base earnings were negative US$36 million compared to negative US$26 million for the same quarter last year, primarily due to higher integration costs related to the Prudential acquisition, partially offset by the non-recurrence of integration costs related to the acquisition of Personal Capital incurred in the same quarter last year.

Net flows

In the first quarter of 2023, net flows were US$10.1 billion compared to US$30.0 billion for the same quarter last year. The decrease was primarily due to lower inflows in Defined Contribution driven by four large plan sales in the first quarter of 2022 contributing $25.1 billion in assets compared to $3.1 billion in large plan sales in the current quarter.

Fee and other income

Fee income is derived primarily from assets under management, assets under administration, shareholder servicing fees, administration and recordkeeping services, investment advisory services, investment management fees, performance fees, transfer agency and other service fees, as well as underwriting and distribution fees.

Fee and other income for the first quarter of 2023 of US$636 million increased by US$124 million compared to the same quarter last year. The increase was primarily due to Prudential related fee income of US$142 million, partially offset the impact of lower average equity markets.

Asset Management Operating Results

	For the three months ended		
	Mar. 31 2023	Dec. 31 2022 (Restated)	Mar. 31 2022 (Restated)
Core base earnings (loss)[1]	**$ (24)**	$ 2	$ 3
Non-core base earnings (loss)[1]	**(3)**	(24)	(5)
Base earnings (loss)[1]	**$ (27)**	$ (22)	$ (2)
Items excluded from base earnings			
Amortization of acquisition-related finite life intangibles	**(2)**	(2)	(1)
Net earnings (loss)	**$ (29)**	$ (24)	$ (3)
Sales[2]	**$ 11,287**	$ 14,355	$ 13,121
Fee income			
Investment management fees	**$ 194**	$ 196	$ 208
Performance fees	**(3)**	17	—
Service fees	**35**	36	36
Underwriting & distribution fees	**45**	45	52
Fee income	**$ 271**	$ 294	$ 296
Core base earnings (loss) (US$)[1]	**$ (18)**	$ 1	$ 1
Non-core base earnings (loss) (US$)[1]	**(2)**	(17)	(2)
Base earnings (loss) (US$)[1]	**$ (20)**	$ (16)	$ (1)
Items excluded from base earnings (US$)			
Amortization of acquisition-related finite life intangibles (US$)	**(1)**	(2)	(1)
Net earnings (loss) (US$)	**$ (21)**	$ (18)	$ (2)
Sales (US$)[2]	**$ 8,361**	$ 10,555	$ 10,331
Fee income (US$)			
Investment management fees	**$ 144**	$ 144	$ 164
Performance fees	**(2)**	13	—
Service fees	**26**	26	28
Underwriting & distribution fees	**33**	33	41
Fee income (US$)	**$ 201**	$ 216	$ 233
Core margin (pre-tax)[3]	**(8.9)%**	1.2 %	0.3 %

1 This metric is a non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures and Ratios" section of this document for additional details.
2 Refer to the "Glossary" section of this document for additional details on the composition of this measure.
3 This metric is a non-GAAP ratio. Refer to the "Non-GAAP Financial Measures and Ratios" section of this document for additional details.

Base and net earnings

The net loss for the first quarter of 2023 was US$21 million compared to US$2 million for the same period last year, primarily due to lower other-AUM based fee income, partially offset by higher net investment income and lower volume-driven expenses.

Items excluded from base earnings of negative US$1 million were comparable to the same period last year.

Sales

Sales in the first quarter of 2023 decreased by US$2.0 billion to US$8.4 billion compared to the same quarter last year, primarily due to a decrease in institutional sales of US$1.6 billion and a decrease in mutual fund sales of US$0.4 billion.

Fee income

Fee income is derived primarily from investment management fees, performance fees, transfer agency and other service fees, as well as underwriting and distribution fees. Generally, fees are earned based on AUM and may depend on financial markets, the relative performance of Asset Management's investment products to benchmarks, the number of retail accounts and sales. Performance fees are generated on certain mutual funds and institutional portfolios and are generally based on a rolling 36-month performance period for mutual funds and a 12-month performance period for institutional portfolios. Performance fees on mutual funds are symmetric, and as a result, can be positive or negative.

Fee income for the first quarter of 2023 decreased by US$32 million to US$201 million compared to the same quarter last year. The decrease was primarily due to lower investment management fees and underwriting and distribution fees driven by lower other AUM as a result of lower equity and fixed income markets. The decrease in underwriting and distribution fees was mostly offset by lower distribution expenses.

Other Assets Under Management (AUM) - Asset Management (US$)[1,2]

	For the three months ended		
	Mar. 31 2023	Dec. 31 2022	Mar. 31 2022
Beginning other AUM	**$ 164,712**	$ 157,738	$ 202,532
Sales - Mutual funds and ETFs[1]	**5,161**	5,577	5,584
Redemptions - Mutual funds and ETFs	**(5,584)**	(7,203)	(7,312)
Net asset flows - Mutual funds and ETFs[1]	**(423)**	(1,626)	(1,728)
Sales - Institutional[1]	**3,200**	4,978	4,747
Redemptions - Institutional	**(4,503)**	(4,836)	(5,454)
Net asset flows - Institutional[1]	**(1,303)**	142	(707)
Net asset flows - Total[1]	**(1,726)**	(1,484)	(2,435)
Impact of market/performance	**6,112**	8,458	(7,769)
Ending other AUM[3]	**$ 169,098**	$ 164,712	$ 192,328
Average other AUM[1]			
Mutual funds and ETFs	**80,085**	79,219	92,643
Institutional assets	**88,241**	85,771	101,195
Total average other AUM[1]	**$ 168,326**	$ 164,990	$ 193,838

1 Refer to the "Glossary" section of this document for additional details on the composition of this measure.

2 Other assets under management excluded US$1,175 million at March 31, 2023 in assets for which Asset Management provides investment recommendations, but has no control over implementation of investment decisions and no trading authority, including model portfolios and model-only separately managed accounts, and Asset Management-designed custom indices that serve as the reference benchmark for third-party insurance investment products (US$1,061 million at December 31, 2022 and US$602 million at March 31, 2022).

3 At March 31, 2023, ending other AUM included US$23.0 billion of assets managed for other business units within the Lifeco group of companies (US$22.1 billion at December 31, 2022 and US$22.1 billion at March 31, 2022).

Average other AUM for the three months ended March 31, 2023 were US$168.3 billion, a decrease of US$25.5 billion or 13% compared to the same quarter last year, primarily due to the cumulative impact of lower equity and fixed income markets as well as net outflows. In-quarter institutional net asset outflows of US$1.3 billion were US$0.6 billion lower compared to the same quarter last year, while mutual fund net asset outflows of US$0.4 billion were US$1.3 billion higher. Fundamental equity inflows were positive during the quarter for the second consecutive quarter.

United States Corporate Operating Results

U.S. Corporate consists of items not associated directly with or allocated to Empower and Asset Management, including the impact of certain non-continuing items related to the U.S. segment.

	For the three months ended		
	Mar. 31 2023	Dec. 31 2022 (Restated)	Mar. 31 2022 (Restated)
Base earnings (loss)[1]	**$ (24)**	$ (11)	$ (6)
Items excluded from base earnings (loss)			
Market experience gains and losses[2]	**2**	(9)	3
Transaction costs related to acquisitions	**—**	—	(1)
Restructuring and integration costs	**—**	(4)	—
Net earnings (loss) - common shareholders	**$ (22)**	$ (24)	$ (4)
Base earnings (loss) (US$)[1]	**$ (17)**	$ (8)	$ (6)
Items excluded from base earnings (loss) (US$)			
Market experience gains and losses[2]	**2**	(6)	3
Transaction costs related to acquisitions	**—**	—	(1)
Restructuring and integration costs	**—**	(3)	—
Net earnings (loss) - common shareholders (US$)	**$ (15)**	$ (17)	$ (4)

1 This metric is a non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures and Ratios" section of this document for additional details.
2 Refer to the "Glossary" section of this document for additional details on the composition of this measure.

Base and net earnings

In the first quarter of 2023, the net loss was US$15 million compared to a net loss of US$4 million for the same quarter last year, primarily due to lower net investment income. Items excluded from base earnings of US$2 million were comparable to the same quarter last year.

EUROPE

The Europe segment is comprised of three distinct business units serving customers in the United Kingdom (U.K.), Ireland and Germany. The Company operates under the Canada Life brand in the U.K. and Germany and under the Irish Life brand in Ireland. The Europe business units align to Lifeco's Value Drivers and are included in the information below as follows:

- Workplace Solutions consists of group life and health insurance business in the U.K. and Ireland as well as group retirement and insurance brokerage services in Ireland.
- Individual Wealth & Asset Management consists of investments products (including life bonds, retirement drawdown and pension) offered in the U.K., pension, savings and investment products offered in Ireland and individual and group pensions in Germany.
- Insurance & Annuities consists of bulk and individual payout annuities offered in the U.K and Ireland, equity release mortgages offered in the U.K., and individual insurance offered in Ireland and Germany.

DEVELOPMENTS

- During the first quarter of 2023, Irish Life combined its Irish brands: Invesco, Acumen and APT under a single wealth management umbrella. The new firm, Unio Financial Services Ltd., brings together three advisory firms into one firm with a common advisory and investment proposition for clients. The new company will provide expert advice for thousands of individuals who are currently either under-advised, or not being serviced at all on how to effectively manage their wealth. Underpinned by a market-leading digital platform, Unio will provide personalized client advice and investment solutions to a growing and underserved population.
- On March 3, 2023, Irish Life introduced a six-month delay to all withdrawal and switch requests from its Irish Property Modules Funds due to an increased level of policyholder encashment requests, providing additional time to secure property sales to fund encashments.
- During the first quarter of 2023, the U.K. launched MyStrength, a new application for Group Life & Health customers. This confidential service offers personalized support to improve your mental well-being. Customers also have access to a MyStrength guide, providing them with access to one-to-one support with activities recommended through the application.
- On March 23, 2023, Irish Life partnered with Yonder, a global benefits platform, to exclusively provide Pensions and Health Insurance to businesses through its easy-to-use platform and app. Irish Life will benefit from the additional digital channel to attract small and scaling companies.
- The U.K. office in Bristol received the SKA gold accreditation from the Royal Institute of Chartered Surveyors for its high environmental standards.
- Irish Life announced plans to redevelop its primary office building in Dublin. This redevelopment will complement plans to continue the strong growth experienced in recent years. It will also play a key role toward Irish Life's net-zero ambitions as Irish Life is seeking to achieve an A-rated building energy rating.

SELECTED FINANCIAL INFORMATION - EUROPE

	For the three months ended		
	Mar. 31 2023	Dec. 31 2022 (Restated)	Mar. 31 2022 (Restated)
Base earnings (loss)[1]			
Workplace Solutions	**$ 58**	$ 41	$ 69
Individual Wealth & Asset Management	**31**	55	49
Insurance & Annuities	**97**	163	57
Corporate	**(8)**	(3)	1
Base earnings (loss)[1]	**$ 178**	$ 256	$ 176
Items excluded from base earnings			
Market experience gains and losses[2]	**$ (139)**	$ (262)	$ 388
Assumption changes and management actions[2]	**5**	(7)	(11)
Transaction costs related to acquisitions	**—**	(5)	(6)
Amortization of acquisition-related finite life intangibles	**(4)**	(7)	(3)
Net earnings (loss) - common shareholders	**$ 40**	$ (25)	$ 544
Sales[2] - Insurance & Annuities			
Insurance	**$ 16**	$ 16	$ 16
Annuities	**330**	481	660
Equity release mortgages	**77**	350	465
Group Life & Health net book premiums[2]	**$ 2,230**	$ 2,125	$ 2,128
Wealth and investment only net cash flows[2]			
Wealth	**$ 1,502**	$ 791	$ 1,412
Investment Only	**1,756**	429	1,475
Wealth and investment only net cash flows[2]	**$ 3,258**	$ 1,220	$ 2,887
Fee and other income			
Workplace Solutions	**$ 59**	$ 49	$ 63
Individual Wealth & Asset Management	**115**	108	115
Corporate	**12**	11	15
Fee and other income	**$ 186**	$ 168	$ 193
Total assets	**$ 182,867**	$ 176,781	
Other assets under administration[2]	**56,858**	50,539	
Total assets under management[1]	**239,725**	227,320	
Other assets under administration[2,3]	**11,878**	11,345	
Total assets under administration[1]	**$ 251,603**	$ 238,665	
Contractual service margin			
Individual Wealth & Asset Management	**$ 1,452**	$ 1,391	$ 1,226
Insurance & Annuities - Non-Par	**2,837**	2,771	2,482
Contractual service margin	**$ 4,289**	$ 4,162	$ 3,708

1 This metric is a non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures and Ratios" section of this document for additional details.
2 Refer to the "Glossary" section of this document for additional details on the composition of this measure.
3 At March 31, 2023, other assets under administration excludes $11.4 billion of assets managed for other business units within the Lifeco group of companies ($10.8 billion at December 31, 2022 and $10.3 billion at March 31, 2022).

Base and net earnings
In the first quarter of 2023, the Europe segment's net earnings of $40 million decreased by $504 million compared to the same quarter last year. Base earnings of $178 million increased by $2 million compared to the same quarter last year, primarily due to favourable insurance and annuity results in the U.K. driven by a favourable reinsurance settlement gain as well as favourable impact of changes to certain tax estimates. These items were partially offset by less favourable insurance and annuity results in Ireland as a result of higher mortality claims experience.

Items excluded from base earnings for the first quarter of 2023 were negative $138 million compared to positive $368 million for the same quarter last year. The decrease was primarily due to Insurance & Annuities. Negative returns on non-fixed income assets and declining risk free interest rates in-quarter compared to positive contributions from higher than expected NFI asset returns and rising interest rates in the same quarter last year.

Sales
Annuity sales for the first quarter of 2023 of $330 million decreased by $330 million compared to the same quarter last year, primarily due to lower bulk annuity sales in the U.K. Equity release mortgage sales for the first quarter of 2023 of $77 million decreased by $388 million compared to the same quarter last year, primarily due to the temporary suspension of equity release mortgage applications in the U.K. at the end of the third quarter of 2022.

Net book premiums
Group Life & Health net book premiums for the first quarter of 2023 of $2.2 billion increased by $0.1 billion compared to the same quarter last year, primarily due to organic growth of in-force business as well as the impact of new business.

Wealth and investment only net cash flows
In the first quarter of 2023, wealth and investment only net cash inflows were $3.3 billion compared to net inflows of $2.9 billion for the same quarter last year. The increase was primarily due to higher fund management inflows in Ireland.

Fee and other income
Fee and other income for the first quarter of 2023 decreased by $7 million to $186 million compared to the same quarter last year due to lower group insurance fees in both the U.K. and Ireland.

Contractual service margin
Contractual service margin at March 31, 2023 was $4,289 million, an increase of $127 million compared to December 31, 2022, primarily due to the impact of new insurance business, service experience, changes in assumptions exceeding the recognition of contractual service margin as well as the impact of currency movement.

CAPITAL AND RISK SOLUTIONS
The Capital and Risk Solutions segment includes Lifeco's reinsurance business which operates primarily in the U.S., Barbados, Bermuda and Ireland, and includes an allocation of a portion of Lifeco's corporate results. Capital and Risk Solutions also includes the results for the segment's legacy international businesses.

At Lifeco, the Capital and Risk Solutions offerings are generally included as Insurance and Risk Solutions value driver. The segment's surplus earnings and an allocation of corporate capital are included in Corporate.

DEVELOPMENTS
- The Capital and Risk Solutions segment continued to grow by providing tailored solutions to customers while increasing diversification within the portfolio. In the first quarter of 2023, the Capital and Risk Solutions segment expanded its international presence in targeted new markets, while continuing to focus on core markets and product expansion in Europe and the U.S.

SELECTED FINANCIAL INFORMATION - CAPITAL AND RISK SOLUTIONS

	For the three months ended		
	Mar. 31 2023	Dec. 31 2022 (Restated)	Mar. 31 2022 (Restated)
Base earnings (loss)[1]			
Reinsurance	**$ 153**	$ 179	$ 174
Corporate	**4**	2	(3)
Base earnings (loss)[1]	**$ 157**	$ 181	$ 171
Items excluded from base earnings			
Market experience gains and losses[2]	**$ 27**	$ (183)	$ 68
Assumption changes and management actions[2]	**—**	5	(5)
Net earnings - common shareholders	**$ 184**	$ 3	$ 234
Total assets[3]	**$ 9,240**	$ 8,975	
Contractual service margin			
Reinsurance - Non-Par	**$ 1,762**	$ 1,796	$ 1,646
Reinsurance - Par	**24**	25	22
Contractual service margin	**$ 1,786**	$ 1,821	$ 1,668

1 This metric is a non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures and Ratios" section of this document for additional details.
2 Refer to the "Glossary" section of this document for additional details on the composition of this measure.
3 The Capital and Risk Solutions segment does not have assets under management or other assets under administration.

Base and net earnings

In the first quarter of 2023, the Capital and Risk Solutions segment's net earnings of $184 million decreased by $50 million compared to the same quarter last year. Base earnings of $157 million decreased by $14 million compared to the same quarter last year, primarily due to unfavourable mortality experience in the U.S. life business. The decrease was partially offset by growth in the structured business and improved property catastrophe product margins.

Items excluded from base earnings were positive $27 million compared to positive $63 million for the same quarter last year driven by lower than expected net investment results as a result of declining interest rates in 2023 compared to rising interest rates in the same period in 2022 and inflation impacts.

Contractual service margin

Contractual service margin at March 31, 2023 was $1,786 million, a decrease of $35 million compared to December 31, 2022, primarily due to run-off and unfavourable experience exceeding new business impacts as well as the impact of currency movement.

LIFECO CORPORATE OPERATING RESULTS

The Lifeco Corporate segment includes operating results for activities of Lifeco that are not associated with the major business units of the Company.

SELECTED FINANCIAL INFORMATION - LIFECO CORPORATE

	For the three months ended		
	Mar. 31 2023	Dec. 31 2022 (Restated)	Mar. 31 2022 (Restated)
Base earnings (loss)[1]	**$ (5)**	$ (18)	$ (3)
Items excluded from base earnings			
Market experience gains and losses[2]	**(8)**	(2)	4
Net earnings (loss) - common shareholders	**$ (13)**	$ (20)	$ 1

1 This metric is a non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures and Ratios" section of this document for additional details.
2 Refer to the "Glossary" section of this document for additional details on the composition of this measure.

In the first quarter of 2023, Lifeco Corporate had a net loss of $13 million compared to net earnings of $1 million for the same period last year. Base loss of $5 million increased by $2 million compared to the same quarter last year, primarily due to lower net investment income.

Items excluded from base earnings for the first quarter of 2023 were negative $8 million compared to positive $4 million for the same quarter last year, primarily due to market experience losses.

CONSOLIDATED FINANCIAL POSITION

ASSETS

Assets under administration[1]

	As at March 31, 2023				
	Canada	**United States**	**Europe**	**Capital and Risk Solutions**	**Total**
Assets					
Invested assets	**$ 87,553**	**$ 90,716**	**$ 39,142**	**$ 8,787**	**$ 226,198**
Goodwill and intangible assets	**5,801**	**7,939**	**3,106**	**—**	**16,846**
Insurance contract assets	**406**	**235**	**345**	**172**	**1,158**
Reinsurance contract held assets	**1,242**	**12,464**	**3,794**	**101**	**17,601**
Other assets	**3,874**	**17,465**	**3,385**	**180**	**24,904**
Investments on account of segregated fund policyholders	**97,426**	**174,625**	**133,095**	**—**	**405,146**
Total assets	**196,302**	**303,444**	**182,867**	**9,240**	**691,853**
Other assets under management[2]	**3,960**	**287,543**	**56,858**	**—**	**348,361**
Total assets under management[1]	**200,262**	**590,987**	**239,725**	**9,240**	**1,040,214**
Other assets under administration[2]	**26,989**	**1,517,070**	**11,878**	**—**	**1,555,937**
Total assets under administration[1]	**$ 227,251**	**$ 2,108,057**	**$ 251,603**	**$ 9,240**	**$ 2,596,151**

	As at December 31, 2022 (Restated)				
	Canada	United States	Europe	Capital and Risk Solutions	Total
Assets					
Invested assets	$ 85,343	$ 90,655	$ 38,652	$ 8,573	$ 223,223
Goodwill and intangible assets	5,789	7,973	3,079	—	16,841
Insurance contract assets	408	245	322	165	1,140
Reinsurance contract held assets	1,211	12,624	3,639	97	17,571
Other assets	3,682	18,430	3,297	140	25,549
Investments on account of segregated fund policyholders	93,816	166,274	127,792	—	387,882
Total assets	190,249	296,201	176,781	8,975	672,206
Other assets under management[2]	4,057	277,138	50,539	—	331,734
Total assets under management[1]	194,306	573,339	227,320	8,975	1,003,940
Other assets under administration[2]	26,344	1,426,834	11,345	—	1,464,523
Total assets under administration[1]	$ 220,650	$ 2,000,173	$ 238,665	$ 8,975	$ 2,468,463

1 This metric is a non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures and Ratios" section of this document for additional details.
2 Refer to the "Glossary" section of this document for additional details on the composition of this measure.

Total assets under administration (AUA) at March 31, 2023 increased by $127.7 billion to $2.6 trillion compared to December 31, 2022, primarily due to market movement, new business growth as well as the impact of currency movement.

INVESTED ASSETS

The Company manages its general fund assets to support the cash flow, liquidity and profitability requirements of the Company's insurance and investment products. The Company's investment policies are designed to be prudent and conservative, so that assets are not unduly exposed to concentration, credit or market risks. Within the framework of the Company’s policies, the Company implements strategies and reviews and adjusts them on an ongoing basis considering liability cash flows and capital market conditions. The majority of investments of the general fund are in medium-term and long-term fixed-income investments, primarily bonds and mortgages, reflecting the characteristics of the Company’s liabilities.

Transition to IFRS 9

The Company adopted IFRS 9, *Financial Instruments* (IFRS 9) to replace IAS 39, *Financial Instruments: Recognition and Measurement* (IAS 39) on its effective date of January 1, 2023. The Company elected to present comparative information for its financial assets as if the classification and measurement requirements of IFRS 9 had been applied in the comparative period (IFRS 9 overlay), as permitted by the amendment to IFRS 17 published by the IASB in December 2021. Differences in asset classification under IAS 39 at December 31, 2022 and IFRS 9 at January 1, 2023 are outlined below.

Transition to IFRS 9

	Classification	
	IAS 39	**IFRS 9**
Financial Assets		
Bonds		
	FVTPL (designated)	FVTPL (designated)
	FVTPL (classified)	FVTPL (mandatory)
	Available-for-Sale (AFS)	FVTPL (mandatory)
	AFS	FVOCI[1]
	Loans & Receivables (L&R)	FVTPL (designated)
	L&R	FVOCI[1]
Mortgage loans		
	FVTPL (designated)	FVTPL (mandatory)
	AFS	FVTPL (mandatory)
	L&R	FVTPL (designated)
	L&R	FVOCI[1]
	L&R	Amortized Cost[1]
Stocks		
	FVTPL (designated)	FVTPL (mandatory)
	AFS	FVTPL (mandatory)
	AFS, at cost	FVTPL (mandatory)

1 Under IFRS 9, allowances for expected credit loss (ECL) are recognized on all financial assets, except for financial assets classified or designated as FVTPL and equity securities designated as FVOCI.

The transition from IAS 39 to IFRS 9 results in a significantly larger portion of the Company's bond and mortgage portfolios being measured at fair value under IFRS 9. Based on January 1, 2023 balances, the transition to IFRS 9 leads to 100% of the bond portfolio and 89% of the mortgage portfolio being measured at fair value, compared to 79% and 9%, respectively, under IAS 39 which is expected to result in greater net earnings volatility.

Bond portfolio – It is the Company's policy to acquire primarily investment grade bonds subject to prudent and well-defined investment policies. Modest investments in below investment grade rated securities may occur while not changing the overall discipline and conservative approach to the investment strategy. The total bond portfolio, including short-term investments, was $158.3 billion or 70% of invested assets at March 31, 2023 compared to $156.1 billion or 70% at December 31, 2022. The increase in the bond portfolio was primarily due an increase in fair values resulting from a decrease in bond yields across all geographies. The overall quality of the bond portfolio remained high, with 99% of the portfolio rated investment grade and 71% rated A or higher.

Bond credit ratings reflect bond rating agency activity up to March 31, 2023. Management continues to closely monitor bond rating agency activity and general market conditions.

Bond portfolio quality

	As at March 31, 2023		As at December 31, 2022 (Restated)	
AAA	**$ 24,373**	**15 %**	$ 25,397	16 %
AA	**32,333**	**21**	31,614	20
A	**55,274**	**35**	53,864	35
BBB	**44,578**	**28**	43,482	28
BB or lower	**1,694**	**1**	1,734	1
Total	**$ 158,252**	**100 %**	$ 156,091	100 %

At March 31, 2023, non-investment grade bonds were $1.7 billion or 1.1% of the bond portfolio compared to $1.7 billion or 1.1% of the bond portfolio at December 31, 2022.

Mortgage portfolio – It is the Company's practice to acquire high quality commercial mortgages meeting strict underwriting standards and diversification criteria. The Company has a well-defined risk-rating system, which it uses in its underwriting and credit monitoring processes for commercial loans. Residential loans are originated by the Company's mortgage specialists in accordance with well-established underwriting standards and are well diversified across each geographic region, including specific diversification requirements for non-insured mortgages. Equity release mortgages are originated in the Europe segment following well-defined lending criteria and held in the Canada, Europe and Capital and Risk Solutions segments. Equity release mortgages are loans provided to people who want to continue living in their homes while accessing some of the underlying equity value in their homes. Loans are typically repaid when the borrower dies or moves into long-term care.

Mortgage portfolio

	As at March 31, 2023				As at December 31, 2022 (Restated)	
Mortgage loans by type	**Insured[1]**	**Non-insured**	**Total**		Total	
Single family residential	**$ 383**	**$ 1,322**	**$ 1,705**	**5 %**	$ 1,738	5 %
Multi-family residential	**2,560**	**7,001**	**9,561**	**25**	9,628	26
Equity release	**—**	**3,654**	**3,654**	**10**	3,371	9
Commercial	**—**	**22,723**	**22,723**	**60**	22,460	60
Total	**$ 2,943**	**$ 34,700**	**$ 37,643**	**100 %**	$ 37,197	100 %

1 Insured mortgages include mortgages where insurance is provided by a third party and protects the Company in the event that the borrower is unable to fulfill their mortgage obligations.

The total mortgage portfolio was $37.6 billion or 17% of invested assets at March 31, 2023, compared to $37.2 billion or 17% of invested assets at December 31, 2022. The increase in the mortgage portfolio was primarily due to originations of commercial and equity release mortgages. At March 31, 2023, total insured loans were $2.9 billion or 8% of the mortgage portfolio, compared to $3.0 billion or 8% at December 31, 2022.

DERIVATIVE FINANCIAL INSTRUMENTS

During the first quarter of 2023, there were no major changes to the Company's policies and procedures with respect to the use of derivative financial instruments. The Company's derivative transactions are generally governed by the International Swaps and Derivatives Association, Inc. (ISDA) Master Agreement, which provide for legally enforceable set-off and close-out netting of exposure to specific counterparties in the event of an early termination of a transaction, which includes, but is not limited to, events of default and bankruptcy. In the event of an early termination, the Company is permitted to set off receivables from a counterparty against payables to the same counterparty, in the same legal entity, arising out of all included transactions. The Company's ISDA Master Agreement may include Credit Support Annex provisions, which require both the pledging and accepting of collateral in connection with its derivative transactions.

At March 31, 2023, total financial collateral, including initial margin and overcollateralization, received on derivative assets was $1,283 million ($1,348 million at December 31, 2022) and pledged on derivative liabilities was $761 million ($754 million at December 31, 2022). Collateral received on derivatives assets decreased and collateral pledged on derivatives liabilities increased in 2023, primarily driven by the impact of the British pound and euro strengthening against the U.S. dollar on cross-currency swaps that pay British pounds and euros and receive U.S. dollars.

During the three-month period ended March 31, 2023, the outstanding notional amount of derivative contracts increased by $3.8 billion to $50.4 billion, primarily due to regular hedging activities.

The Company's exposure to derivative counterparty credit risk, which reflects the current fair value of those instruments in a gain position, decreased to $2,158 million at March 31, 2023 from $2,314 million at December 31, 2022. The decrease was primarily driven by the impact of the British pound and euro strengthening against the U.S. dollar on cross-currency swaps that pay British pounds and euros and receive U.S. dollars. There were no changes to derivative counterparty ratings during the first quarter of 2023 and all had investment grade ratings as of March 31, 2023.

LIABILITIES

Total liabilities

	As at Mar 31, 2023	As at Dec. 31, 2022 (Restated)
Insurance contract liabilities	**$ 138,765**	$ 135,438
Reinsurance contract held liabilities	**549**	537
Investment contract liabilities	**94,612**	94,810
Other general fund liabilities	**23,744**	24,744
Insurance contracts on account of segregated fund policyholders	**59,435**	57,841
Investment contracts on account of segregated fund policyholders	**345,711**	330,041
Total	**$ 662,816**	$ 643,411

Total liabilities increased by $19.4 billion to $662.8 billion at March 31, 2023 from December 31, 2022.

Insurance contract liabilities increased by $3.3 billion. The increase was primarily due to market movements, partially offset by normal business movements.

Investment contract liabilities decreased by $0.2 billion. The decrease was primarily due to normal business movements.

Investment and insurance contracts on account of segregated fund policyholders increased by $17.3 billion, primarily due to the combined impact of market value gains and investment income of $15.7 billion, the impact of currency movement of $2.0 billion and net deposits of $0.9 billion, partially offset by the negative impact of non-controlling mutual fund interest of $1.3 billion.

Insurance and investment contract liabilities represent the amounts that, together with estimated future premiums and investment income, will be sufficient to pay estimated future benefits, dividends and expenses on policies in-force. Insurance and investment contract liabilities are determined using generally accepted actuarial practices, according to standards established by the Canadian Institute of Actuaries. Also, refer to the "Summary of Critical Accounting Estimates" section of this document for further details.

Insurance Contract Liabilities

When significant insurance risk exists, the Company's products are classified at contract inception as insurance contract liabilities in accordance with IFRS 17, *Insurance Contracts* (IFRS 17). Significant insurance risk exists when the Company agrees to compensate policyholders or beneficiaries of the contract for specified uncertain future events that adversely affect the policyholder and whose amount and timing is unknown. Refer to note 2 of the Company's condensed consolidated interim unaudited financial statements for the period ended March 31, 2023 and the "Risk Management" section of the Company's 2022 annual Management's Discussion and Analysis for a discussion of insurance risk.

Contracts with coverage periods of one year or less and those that are relatively stable and have low variability in fulfillment cashflows are measured under the more simplified premium allocation approach (PAA). Low variability in fulfillment cash flows indicates that no significant difference in measurement exists when compared to the general measurement model (GMM). All other contracts are measured under the GMM or for those with direct participating features, the variable fee approach (VFA). Refer to note 2 of the Company's condensed consolidated interim unaudited financial statements for the period ended March 31, 2023 for a discussion of IFRS 17 measurement models.

For contracts not measured under the PAA, the Company measures a group of insurance contracts as the total of the fulfilment cash flows, which comprise estimates of future cash flows, adjusted to reflect the time value of money and the associated financial risks, and a risk adjustment for non-financial risk; and the contractual service margin. Refer to note 2 of the Company's condensed consolidated interim unaudited financial statements for the period ended March 31, 2023 for a discussion of initial and subsequent measurement of insurance contract liabilities.

Insurance contract liabilities and assets[1]

	As at March 31, 2023					
	Insurance contracts not under PAA method					
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin	Total	Contracts under PAA method	Total net insurance contract liabilities
Canada	$ 91,892	$ 1,876	$ 6,331	$ 100,099	$ 8,857	$ 108,956
United States	18,017	153	635	18,805	—	18,805
Europe	37,412	1,112	4,290	42,814	3,586	46,400
Capital and Risk Solutions	1,687	2,097	1,787	5,571	258	5,829
Total	$ 149,008	$ 5,238	$ 13,043	$ 167,289	$ 12,701	$ 179,990

	As at December 31, 2022					
	Insurance contracts not under PAA method					
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin	Total	Contracts under PAA method	Total net insurance contract liabilities
Canada	$ 89,107	$ 1,824	$ 6,518	$ 97,449	$ 8,689	$ 106,138
United States	17,626	151	622	18,399	—	18,399
Europe	36,078	1,076	4,162	41,316	3,493	44,809
Capital and Risk Solutions	1,706	2,009	1,821	5,536	223	5,759
Total	$ 144,517	$ 5,060	$ 13,123	$ 162,700	$ 12,405	$ 175,105

[1] Insurance contract liabilities and assets presented in the above tables also include insurance contracts on account of segregated fund policyholders and reinsurance held assets and liabilities.

At March 31, 2023, total net insurance contract liabilities were $180.0 billion, an increase of $4.9 billion from December 31, 2022. The increase in net insurance contract liabilities was primarily due to market movements, partially offset by normal business movements.

Contractual Service Margin (CSM)

The CSM of a group of insurance contracts represents the unearned profit that the Company expects to recognize in the future as it provides services under those contracts. On initial recognition of a group of insurance contracts, if the total of the fulfilment cash flows, any derecognized assets for insurance acquisition cash flows and any cash flows arising at that date is a net inflow, then the group is classified as non-onerous. For non-onerous contracts, the CSM is measured as the equal and opposite amount of the net inflow, which results in no income or expenses arising on initial recognition.

If the total is a net outflow, then the group of insurance contracts is onerous. In this case, the net outflow is recognized as a loss in the current period. A loss component is created to depict any losses recognized in the current period, which determines the amounts that are subsequently recognized in future periods as reversals on onerous groups.

Contractual service margin (CSM) continuity[1]

	Non-Participating						
	Canada	United States	Europe	Capital and Risk Solutions	Non-Par	Par	Total
CSM as at December 31, 2022	$ 3,142	$ 329	$ 4,162	$ 1,796	$ 9,429	$ 3,694	$ 13,123
Impact of new insurance business	39	—	56	10	105	27	132
CSM recognized for services provided	(110)	(12)	(83)	(38)	(243)	(39)	(282)
Interest on CSM at locked-in rates	10	—	11	9	30	—	30
CSM movement excluding items below	(61)	(12)	(16)	(19)	(108)	(12)	228
Insurance experience gains and losses, market-related impacts & changes in estimates	90	36	77	(36)	167	(214)	(47)
Currency impact	—	—	66	21	87	—	87
Total CSM movement	29	24	127	(34)	146	(226)	(80)
CSM as at March 31, 2023	3,171	353	4,289	1,762	9,575	3,468	13,043

1 The CSM shown in the above table is presented net of reinsurance held and includes CSM attributed to insurance contract assets and insurance contract liabilities.

At March 31, 2023, total contractual service margin was $13.0 billion, a decrease of $80 million from December 31, 2022. The decrease in total contractual service margin was primarily due to a decrease in contractual service margin for participating products driven by movements in interest rates, partially offset by an increase in contractual service margin for non-participating products driven by impacts of financial risk on segregated fund products as well as the impact of currency movement.

Segregated Fund and Variable Annuity Guarantees

The Company offers retail segregated fund products, unitized with profits (UWP) products and variable annuity products that provide for certain guarantees tied to the market values of the investment funds.

Guaranteed minimum withdrawal benefit (GMWB) products offered by the Company in the U.S. and Germany, and previously offered in Canada and Ireland, provide the policyholder with a guaranteed minimum level of annual income for life. The Company has a hedging program in place to manage a portion of the market and interest rate risk associated with options embedded in its GMWB products. At March 31, 2023, the amount of GMWB product in-force in Canada, the U.S., Ireland and Germany was $7,249 million ($7,033 million at December 31, 2022).

Segregated fund and variable annuity guarantee exposure

		March 31, 2023 Investment deficiency by benefit type			
	Market Value	Income	Maturity	Death	Total[1]
Canada	$ 33,357	$ —	$ 16	$ 205	$ 205
United States	24,288	513	—	9	522
Europe	11,006	21	—	1,326	1,326
Capital and Risk Solutions[2]	673	168	—	—	168
Total	**$ 69,324**	**$ 702**	**$ 16**	**$ 1,540**	**$ 2,221**

1 A policy can only receive a payout from one of the three trigger events (income election, maturity or death). Total deficiency measures the point-in-time exposure assuming the most costly trigger event for each policy occurred on March 31, 2023.
2 Capital and Risk Solutions exposure is to markets in Canada and the U.S.

Investment deficiency at March 31, 2023 decreased by $472 million to $2,221 million compared to December 31, 2022, primarily due to an increase in market values. The investment deficiency measures the point-in-time exposure to a trigger event (i.e., income election, maturity or death) assuming it occurred on March 31, 2023 and does not include the impact of the Company's hedging program for GMWB products. The actual cost to the Company will depend on the trigger event having occurred and the market values at that time. The actual claims before tax associated with these guarantees were $4 million in-quarter ($2 million for the first quarter of 2022), with the majority arising in the Capital and Risk Solutions segment related to a legacy block of business.

LIFECO CAPITAL STRUCTURE

In establishing the appropriate mix of capital required to support the operations of the Company and its subsidiaries, management utilizes a variety of debt, equity and other hybrid instruments considering both the short and long-term capital needs of the Company.

Debentures and Other Debt Instruments

At March 31, 2023, debentures and other debt instruments decreased by $198 million to $10,311 million compared to December 31, 2022.

Subsequent to the first quarter of 2023, on April 18, 2023, the Company repaid the principal amount of its maturing 2.5% €500 million senior bonds, together with accrued interest.

Share Capital and Surplus

Share capital outstanding at March 31, 2023 was $10,024 million, which comprises $5,804 million of common shares and $2,720 million of preferred shares and $1,500 million Limited Recourse Capital Notes (LRCN Series 1). Preferred shares included $2,470 million of non-cumulative First Preferred Shares and $250 million of non-cumulative 5-year rate reset First Preferred Shares.

The Company renewed its normal course issuer bid (NCIB) effective January 27, 2023 for one year to purchase and cancel up to 20,000,000 of its common shares at market prices in order to mitigate the dilutive effect of stock options granted under the Company's Stock Option Plan and for other capital management purposes. Effective March 1, 2023, the Company entered into an automatic share purchase plan (ASPP). The ASPP is intended to facilitate repurchases of common shares under the NCIB, including periods when the Company would ordinarily not be permitted to make purchases due to regulatory restrictions of self-imposed blackout periods. All purchases of common shares made under the ASPP are included in determining the number of common shares purchased under the NCIB. Any common shares purchased by the Corporation pursuant to the NCIB will be cancelled.

During the three months ended March 31, 2023, the Company repurchased and subsequently cancelled 629,900 common shares under the current NCIB at an average cost per share of $35.55 (nil for the three months ended March 31, 2022 under the previous NCIB).

IFRS 17 and IFRS 9 Transitional Impacts on Equity

The Company adopted IFRS 17, *Insurance Contracts* and IFRS 9, *Financial Instruments* on their effective dates of January 1, 2023. The resulting changes in accounting policies from the adoption of these standards had an impact on the Company's opening equity balances.

The adoption of IFRS 17 and the IFRS 9 overlay resulted in an overall reduction to total assets of $13.6 billion, total liabilities of $10.2 billion, and total equity of $3.4 billion on the transition balance sheet as at January 1, 2022.

Asset and liability reclassifications were driven by changes to the groupings of certain assets and liabilities. Significant reclassifications included $8.3 billion of loans to policyholders, $7.9 billion of funds held by ceding insurers, and $1.9 billion of premiums in the course of collection reclassified to insurance contract liabilities. In addition, $40.5 billion of insurance contract liabilities were reclassified to investment contract liabilities, and insurance contract assets of $1.5 billion and reinsurance contract held liabilities of $1.3 billion were established. The presentation of liabilities on account of segregated fund policyholders was separated between insurance and investment contract liabilities.

IFRS 9 adjustments primarily resulted in an increase to total assets of $2.6 billion due to a change in designation of certain bonds and mortgages held at amortized cost under IAS 39 to FVTPL under IFRS 9.

IFRS 17 adjustments mainly resulted in an increase to insurance contract liabilities of $6.8 billion, which is primarily the result of the establishment of CSM for in-force contracts of $5.9 billion associated with the shareholders' account and $2.6 billion associated with the participating account, partially offset by the transition of risk adjustments from IFRS 4 to IFRS 17 of $2.0 billion. This does not include the CSM on in-force segregated fund business which does not have a material impact on capital.

Total equity decreased by $3.4 billion, split $3.1 billion for the shareholders' account accumulated surplus, $0.2 billion for the participating account surplus, and $0.1 billion for accumulated other comprehensive income.

Shareholders' account accumulated surplus decreased by $3.1 billion primarily due to the establishment of the CSM of $6.3 billion and the adjustment for differences in the discount rate of $1.9 billion, offset by increases due to the transition of risk adjustments from IFRS 4 to IFRS 17 of $2.0 billion and the impact of the initial application of the IFRS 9 overlay of $2.2 billion. All other impacts, including taxes, adjustments for non-attributable expenses and from reclassifications totaled an increase of $0.9 billion.

The participating account surplus decrease of $0.2 billion was due to the impact of the initial application of IFRS 17 of $0.7 billion offset by the impact of the application of the IFRS 9 overlay of $0.5 billion.

Accumulated other comprehensive income decreased by $0.1 billion due to the impact of the application of the IFRS 9 overlay.

LIQUIDITY AND CAPITAL MANAGEMENT AND ADEQUACY

LIQUIDITY

Liquidity risk is assessed and mitigated through prudent product design and contract terms; and by maintaining a high quality, diversified investment portfolio with sufficient liquidity to meet policyholder and financing obligations under normal and stress conditions.

Total Liquid Assets

	As at March 31, 2023		
	On-balance sheet assets	**Non-liquid/ Pledged**	**Net liquid assets**
Cash, cash equivalents and short-term bonds			
Cash and cash equivalents[1]	**$ 6,666**	**$ 69**	**$ 6,597**
Short-term bonds[2]	**4,135**	**—**	**4,135**
Sub-total	**$ 10,801**	**$ 69**	**$ 10,732**
Other assets and marketable securities			
Government bonds[2]	**$ 39,808**	**$ 10,824**	**$ 28,984**
Corporate bonds[2]	**114,309**	**54,066**	**60,243**
Stocks[1]	**15,309**	**3,152**	**12,157**
Mortgage loans[1]	**37,643**	**34,700**	**2,943**
Sub-total	**$ 207,069**	**$ 102,742**	**$ 104,327**
Total	**$ 217,870**	**$ 102,811**	**$ 115,059**

	As at December 31, 2022 (Restated)		
	On-balance sheet assets	Non-liquid/ Pledged	Net liquid assets
Cash, cash equivalents and short-term bonds			
Cash and cash equivalents[1]	$ 7,290	$ 83	$ 7,207
Short-term bonds[2]	4,241	30	4,211
Sub-total	$ 11,531	$ 113	$ 11,418
Other assets and marketable securities			
Government bonds[2]	$ 40,152	$ 10,607	$ 29,545
Corporate bonds[2]	111,698	52,969	58,729
Stocks[1]	14,301	2,921	11,380
Mortgage loans[1]	37,197	34,210	2,987
Sub-total	$ 203,348	$ 100,707	$ 102,641
Total	$ 214,879	$ 100,820	$ 114,059

1 Refer to the consolidated balance sheet in the Company's December 31, 2023 annual consolidated financial statements for on-balance sheet amounts.

2 Total short-term bonds, government bonds and corporate bonds as at March 31, 2023 was $158.3 billion ($156.1 billion at December 31, 2022). Refer to the consolidated balance sheet in the Company's condensed consolidated interim unaudited financial statements for the period ended March 31, 2023 for on-balance sheet bonds amounts.

The Company's liquidity requirements are largely self-funded, with short-term obligations being met by internal funds and maintaining levels of liquid investments adequate to meet anticipated liquidity needs. The Company holds cash, cash equivalents and short-term bonds at the Lifeco holding company level and with the Lifeco consolidated subsidiary companies. At March 31, 2023, the Company and its operating subsidiaries held liquid cash, cash equivalents and short-term bonds of $10.7 billion ($11.4 billion at December 31, 2022) and other liquid assets and marketable securities of $104.3 billion ($102.6 billion at December 31, 2022). Included in the cash, cash equivalents and short-term bonds at March 31, 2023 was $1.3 billion ($1.0 billion at December 31, 2022) held at the Lifeco holding company level which includes cash at Great-West Lifeco U.S. LLC, the Company's U.S. holding company. In addition, the Company maintains committed lines of credit with Canadian chartered banks for potential unanticipated liquidity needs, if required.

The Company does not have a formal common shareholder dividend policy. The Company maintains a target dividend payout ratio range of 45% to 55% of base earnings that is considered in dividend decisions. Dividends on outstanding common shares of the Company are declared and paid at the sole discretion of the Board of Directors of the Company. The decision to declare a dividend on the common shares of the Company takes into account a variety of factors including the level of earnings, adequacy of capital and availability of cash resources.

As a holding company, the Company's ability to pay dividends and, in part, its ability to deploy capital is dependent upon the Company receiving dividends from its operating subsidiaries. The Company's operating subsidiaries are subject to regulation in a number of jurisdictions, each of which maintains its own regime for determining the amount of capital that must be held in connection with the different businesses carried on by the operating subsidiaries. The requirements imposed by the regulators in any jurisdiction may change from time to time, and thereby impact the ability of the operating subsidiaries to pay dividends to the Company.

CASH FLOWS

Cash flows

	For the three months ended March 31	
	2023	2022 (Restated)
Cash flows relating to the following activities:		
Earnings after-tax	**$ 601**	$ 1,522
Fair value changes and other	**(1,635)**	(82)
Operations	**(1,034)**	1,440
Financing	**(752)**	552
Investment	**1,136**	1,357
	(650)	3,349
Effects of changes in exchange rates on cash and cash equivalents	**26**	(167)
Increase (decrease) in cash and cash equivalents in the period	**(624)**	3,182
Cash and cash equivalents, beginning of period	**7,290**	6,075
Cash and cash equivalents, end of period	**$ 6,666**	$ 9,257

Total cash and cash equivalents as at March 31, 2023 of $6,666 million decreased from December 31, 2022 balance of $7,290 million and from March 31, 2022 balance of $9,257 million. The principal source of funds for the Company on a consolidated basis is cash provided by operating activities, including insurance revenue, net investment income and fee income. These funds are used primarily to pay policy benefits, policyholder dividends and claims, as well as operating expenses and commissions. The operations category on the statement of cash flows also includes transfers and withdrawals by clients that are funded in part by the sale of assets for cash reflected in the investments category. Cash flows generated by operations are mainly invested to support future liability cash requirements. Cash flows related to financing activities include the issuance and repayment of capital instruments and associated dividends and interest payments.

COMMITMENTS/CONTRACTUAL OBLIGATIONS

Commitments/contractual obligations have not changed materially from December 31, 2022.

CAPITAL MANAGEMENT AND ADEQUACY

At the holding company level, the Company monitors the amount of consolidated capital available and the amounts deployed in its various operating subsidiaries. The amount of capital deployed in any particular company or country is dependent upon local regulatory requirements as well as the Company's internal assessment of capital requirements in the context of its operational risks and requirements and strategic plans. The Company's practice is to maintain the capitalization of its regulated operating subsidiaries at a level that will exceed the relevant minimum regulatory capital requirements in the jurisdictions in which they operate. The capitalization decisions of the Company and its operating subsidiaries also give consideration to the impact such actions may have on the opinions expressed by various credit rating agencies that provide financial strength and other ratings to the Company.

In Canada, OSFI has established a regulatory capital adequacy measurement for life insurance companies incorporated under the Insurance Companies Act (Canada) and their subsidiaries, known as the Life Insurance Capital Adequacy Test (LICAT). The LICAT Ratio is calculated in accordance with the 2023 OSFI Guideline - Life Insurance Capital Adequacy Test.

The LICAT Ratio compares the regulatory capital resources of a company to its required capital. The required capital is calibrated so that a life insurer can both withstand severe stress events and support the continuity of existing business. The LICAT guideline uses a risk-based approach for measuring specific life insurer risks and for aggregating the results to calculate the amount of a life insurer's capital requirements.

OSFI has established a Supervisory Target Total Ratio of 100% and a Supervisory Minimum Total Ratio of 90%. Lifeco's major Canadian operating subsidiary, Canada Life, is operating well above these supervisory ratios.

Canada Life's consolidated LICAT Ratio at March 31, 2023 was 127%. The LICAT Ratio does not take into account any impact from $1.3 billion of liquidity at the Lifeco holding company level at March 31, 2023 ($1.0 billion at December 31, 2022). Subsequent to the first quarter of 2023, on April 18, 2023, the Company repaid the principal amount of its maturing 2.5% $740 million (€500 million) senior bonds, together with accrued interest.

The following provides a summary of the LICAT information and ratios for Canada Life:

LICAT Ratio	Mar. 31 2023
Tier 1 Capital	$ 18,523
Tier 2 Capital	5,225
Total Available Capital	23,748
Surplus Allowance & Eligible Deposits	5,322
Total Capital Resources	**$ 29,070**
Required Capital	**$ 22,926**
Total Ratio (OSFI Supervisory Target = 100%)[1]	**127 %**

[1] Total Ratio (%) = (Total Capital Resources / Required Capital)

The LICAT Ratio increased by 7 points in the quarter from 120% at December 31, 2022 to 127% in March 31, 2023. The main driver of the increase was the transition to reporting based on the 2023 LICAT Guideline, as amended for reporting under IFRS 17. The LICAT ratio increased by approximately 10 points on transition. The LICAT ratio also increased from decreased capital requirements due to the final quarter of the phase in of the LICAT interest rate scenario shift in North America. These increases were partially offset by increases in capital requirements from business activity and the impact of earnings less dividends.

LICAT Interest Rate Scenario Shift

The LICAT interest rate risk capital requirements are based on the results of the most adverse of four scenarios. The determination of the most adverse scenario is dependent on government treasury rates and credit spreads, as well as the position of the Company's assets and liabilities. A change in the level and term structure of interest rates used can cause a shift in the interest rate scenario applied in the LICAT calculation. This results in a discontinuity where capital requirements can change materially. OSFI prescribes a smoothing calculation to address potential volatility in the interest rate risk capital requirement for participating insurance products. The smoothing calculation averages the participating interest rate risk requirements over the trailing six quarters, thereby reducing unwarranted volatility.

The Company last experienced a shift in the interest rate scenario in North America during the fourth quarter of 2021. As a result of the scenario change, a smoothing of the impact of reduced requirements for participating interest rate risk has concluded this quarter.

LICAT Sensitivities

Caution Related to Sensitivities

This section includes estimates of Canada Life consolidated LICAT Ratio sensitivities for certain risks. Actual results can differ significantly from these estimates for a variety of reasons including:

- Assessment of the circumstances that led to the scenario may lead to changes in (re)investment approaches and interest rate scenarios considered;
- Changes in actuarial, investment return and future investment activity assumptions;
- Actual experience differing from the assumptions;
- Changes in business mix, effective income tax rates and other market factors;
- Interactions among these factors and assumptions when more than one changes; and
- The general limitations of the Company's internal models.

For these reasons, the sensitivities should be viewed as directional estimates only of the underlying sensitivities for the respective factors. Given the nature of these calculations, the Company cannot provide assurance that the actual impact on the Canada Life consolidated LICAT Ratio will be as indicated.

LICAT sensitivities are rounded to the nearest full point and have been prepared on an IFRS 17 basis under the LICAT 2023 OSFI Guideline now in effect for the first quarter of 2023.

Publicly Traded Common Stocks

The following table sets out the estimated immediate impact to Canada Life's consolidated LICAT Ratio of certain instantaneous changes in publicly traded common stock values as at March 31, 2023. These sensitivity estimates assume instantaneous shocks. The sensitivity estimates relate to publicly traded common stocks and do not cover other non-fixed income assets. These estimates are illustrative as actual equity exposures may vary due to active management of the public stock portfolios.

Immediate change in publicly traded common stock values	March 31, 2023			
	20% increase	10% increase	10% decrease	20% decrease
Potential change to LICAT Ratio	0 point	0 point	0 point	(2 points)

Interest Rates

Canada Life's consolidated LICAT Ratio will generally decrease in an environment of rising interest rates and benefit from declining rates. Higher interest rates will decrease the value of the Company's surplus assets and the value of the provision for non-financial risk included in the Surplus Allowance. These reductions will be partially offset by increased earnings that result from higher interest rates. While the value of capital resources reduce as interest rates rise, the LICAT Guideline uses static interest rates for the calculation of insurance risk capital requirements, and hence these capital requirements do not change with interest rate movements. This means that while rising interest rates are generally favourable for the Company, they will lead to a decrease in the calculated LICAT ratio.

The sensitivity estimates shown here are illustrative. The impacts shown are based on a parallel shift in the interest rate yield curve across all geographies. Actual movement in credit spreads or government treasury rates may produce different movements in Canada Life's consolidated LICAT Ratio. Sensitivity to interest rates is dependent on many factors and may result in non-linear impacts to the LICAT Ratio. These sensitivities do not include a change in the ultimate interest rate or the impact of a LICAT interest rate risk scenario shift.

Immediate parallel shift in yield curve	**March 31, 2023**	
	50 bps increase	**50 bps decrease**
Potential change to LICAT Ratio	< 1 pt decrease	< 1 pt increase

OSFI Regulatory Capital Initiatives

OSFI is developing a new approach, planned to be implemented in 2025, to determine capital requirements for Segregated Fund Guarantee Risk. The Company will continue to participate in future public consultations relating to these developments.

RETURN ON EQUITY (ROE)[1]

Base Return on Equity[2]	**Mar. 31 2023**	Dec. 31 2022 (Restated)
Canada	**18.4 %**	17.3 %
Empower	**14.0 %**	12.8 %
Putnam	**(4.3)%**	(2.8)%
Europe	**17.8 %**	17.3 %
Capital and Risk Solutions	**37.0 %**	42.9 %
Total Lifeco Base Earnings Basis[2]	**15.8 %**	15.7 %

Return on Equity[1]	**Mar. 31 2023**	Dec. 31 2022 (Restated)
Canada	**18.4 %**	21.2 %
Empower	**9.2 %**	8.3 %
Putnam	**(4.7)%**	(3.1)%
Europe	**14.7 %**	24.6 %
Capital and Risk Solutions	**31.2 %**	38.9 %
Total Lifeco Net Earnings Basis[1]	**13.4 %**	17.2 %

1 Refer to the "Glossary" section of this document for additional details on the composition of this measure.
2 This metric is a non-GAAP ratio. Refer to the "Non-GAAP Financial Measures and Ratios" section of this document for additional details.

The Company has a capital allocation methodology, which allocates financing costs in proportion to allocated capital. For the Canada, Europe and Capital and Risk Solutions segments (essentially Canada Life), this allocation method generally tracks the regulatory capital requirements, while for Empower and Putnam, it tracks the financial statement carrying value of the business units. Total leverage capital is consistently allocated across all business units in proportion to total capital resulting in a debt-to-equity ratio in each business unit consistent with the consolidated Company.

RATINGS

Lifeco maintains ratings from five independent ratings companies. Credit ratings[5] are intended to provide investors with an independent measure of the credit quality of a corporation and securities of a corporation and are indicators of the likelihood of payment and the capacity of a corporation to meet its obligations in accordance with the terms of each obligation.

In the first quarter of 2023, the existing credit ratings for Lifeco and its major operating subsidiaries were unchanged[1]. The Company continued to receive strong ratings relative to its North American peer group resulting from its conservative risk profile, stable net earnings and strong capitalization.

Lifeco's operating companies are assigned a group rating from each rating agency. This group rating is predominantly supported by the Company's leading position in the Canadian insurance market and competitive positions in the U.S. and European markets. Each of Lifeco's operating companies benefits from the strong implicit financial support and collective ownership by Lifeco. There were no changes to the Company's group credit ratings in the first quarter of 2023.

Rating agency	Measurement	Lifeco	Canada Life	Irish Life	Empower
A.M. Best Company	Financial Strength		A+		A+
DBRS Morningstar	Issuer Rating	A (high)	AA		
	Financial Strength		AA		NR
	Senior Debt	A (high)			
	Subordinated Debt	A (low)	AA (low)		
Fitch Ratings	Insurer Financial Strength		AA	AA	AA
	Senior Debt	A			
	Subordinated Debt	BBB+	A+		
Moody's Investors Service	Insurance Financial Strength		Aa3		Aa3
S&P Global Ratings	Insurer Financial Strength		AA		AA
	Senior Debt	A+			
	Subordinated Debt	A-	AA-		

RISK MANAGEMENT AND CONTROL PRACTICES

The Company's Enterprise Risk Management (ERM) Framework facilitates the alignment of business strategy with risk appetite, informs and improves the deployment of capital; and supports the identification, mitigation and management of exposure to potential losses and risk. The Company's Risk Function is responsible for developing and maintaining the Risk Appetite Framework (RAF), the supporting risk policies and risk limit structure, and provides independent risk oversight across the Company's operations. The Board of Directors is ultimately accountable and responsible for the Company's risk governance and associated risk policies. These include the ERM Policy, which establishes the guiding principles of risk management, and the RAF, which reflects the levels and types of risk that the Company is willing to accept to achieve its business objectives.

During the first quarter of 2023, there were no significant changes to the Company's risk management and control practices. Refer to the Company's 2022 Annual MD&A for a detailed description of the Company's risk management and control practices.

[5] These ratings are not a recommendation to buy, sell or hold the securities of the Company or its subsidiaries and do not address market price or other factors that might determine suitability of a specific security for a particular investor. The ratings also may not reflect the potential impact of all risks on the value of securities and are subject to revision or withdrawal at any time by the rating agency.

ACCOUNTING POLICIES

SUMMARY OF CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the reporting date, and the reported amounts of revenue and expenses during the reporting period. The results of the Company reflect management's judgments regarding the impact of prevailing market conditions related to global credit, equities, investment properties and foreign exchange and prevailing health and mortality experience. The fair value of portfolio investments, the valuation of goodwill and other intangible assets, the valuation of insurance contract liabilities and the recoverability of deferred tax asset carrying values reflect management's judgement based on current expectations but could be impacted in the future depending on current market developments.

Updated significant accounting estimates reflecting the implementation of IFRS 17 and IFRS 9 are referenced below. For additional detail, refer to the Company's condensed consolidated interim unaudited financial statements for the period ended March 31, 2023 and the Company's 2022 annual MD&A which was prepared in accordance with IFRS 4 and IAS 39.

Fair Value Measurement

Under IFRS 9, a financial asset is measured at fair value on initial recognition and is classified and subsequently measured as fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI), or amortized cost based upon the Company's business model for managing its assets and the contractual cash flow characteristics of the asset.

The Company's business models are determined at the level that reflects how its groups of financial assets are managed together to achieve business objectives.

Refer to note 7 in the Company's condensed consolidated interim unaudited financial statements for the period ended March 31, 2023 for disclosure of the Company's financial instruments fair value measurement by hierarchy level as at March 31, 2023.

The following is a description of the methodologies used to value instruments carried at fair value:

Bonds - FVTPL and FVOCI

Fair values for bonds measured as FVTPL or FVOCI are determined with reference to quoted market bid prices primarily provided by third-party independent pricing sources. Where prices are not quoted in an active market, fair values are determined by valuation models. The Company maximizes the use of observable inputs when measuring fair value. The Company obtains quoted prices in active markets, when available, for identical assets at the balance sheet date to measure bonds at fair value in its FVTPL and FVOCI portfolios.

The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Mortgages - FVTPL and FVOCI

There are no market observable prices for mortgages; therefore fair values for mortgages are determined by discounting expected future cash flows using current market rates for similar instruments. Valuation inputs typically include benchmark yields and risk-adjusted spreads based on current lending activities and market activity.

Equity Release Mortgages - FVTPL

There are no market observable prices for equity release mortgages; therefore an internal valuation model is used discounting expected future cash flows and includes consideration of the embedded no-negative equity guarantee. Inputs to the model include market observable inputs such as benchmark yields and risk-adjusted spreads. Non-market observable inputs include property growth and volatility rates, expected rates of voluntary redemptions, death, moving to long term care and interest cessation assumptions and the value of the no negative equity guarantee.

Stocks - FVTPL

Fair values for stocks traded on an active market are generally determined by the last bid price for the security from the exchange where it is principally traded. Fair values for stocks for which there is no active market are typically based upon alternative valuation techniques such as discounted cash flow analysis, review of price movement relative to the market and utilization of information provided by the underlying investment manager. The Company maximizes the use of observable inputs when measuring fair value. The Company obtains quoted prices in active markets, when available, for identical assets at the balance sheet date to measure stocks at fair value in its fair value through profit or loss portfolio.

Hedge Accounting

The Company elected to continue to apply the hedge accounting principles under IAS 39 instead of those under IFRS 9. Refer to note 2 in the Company's consolidated annual audited financial statements for the year ended December 31, 2022 for disclosure of the Company's policy for hedge accounting.

Expected credit losses (ECL)

Under IFRS 9, expected credit loss (ECL) allowances are recognized on all financial assets, except for financial assets classified or designated as FVTPL and equity securities designated as FVOCI. The ECL model under IFRS 9 replaces the incurred loss model under IAS 39.

The Company measures loss allowances at either a 12-month ECL or lifetime ECL. A 12-month ECL results from any default events that could potentially occur within the 12 months following the reporting date. A 12-month ECL is calculated for financial assets that are determined to have low credit risk or the credit risk has not increased significantly since initial recognition. A lifetime ECL results from all possible default events over the expected life of the financial asset, which is the maximum contractual period over which the Company is exposed to the credit risk. A lifetime ECL is recognized for financial assets that have experienced a significant increase in credit risk since initial recognition or when there is objective evidence of impairment.

The ECL allowance is based on a probability-weighted estimate of credit losses expected as a result of defaults over the relevant time period as prescribed under the ECL model. The measurement of ECL for a financial asset is based primarily on the exposure at default, the probability of default, and the loss given default. The measurement of ECL allowances requires the use of judgment and assumptions.

For performing financial assets, the ECL is calculated as the present value of all cash shortfalls which are the difference between cash flows due to the Company and the cash flows expected to be received. For financial assets that are impaired, the ECL is calculated as the difference between the carrying value of the asset and the present value of estimated future cash flows. Financial assets that are subject to ECL allowances are categorized into three stages:

Performing financial assets that have not experienced a significant increase in credit risk since initial recognition or have low credit risk are categorized into stage 1. A 12-month ECL allowance is calculated for stage 1 financial assets.

Performing financial assets that have experienced a significant increase in credit risk since initial recognition are categorized into stage 2. A lifetime ECL allowance is calculated for stage 2 financial assets.

Impaired financial assets are categorized into stage 3 and require a lifetime ECL allowance.

Insurance, reinsurance held and investment contract liabilities

In the computation of insurance contract liabilities, valuation assumptions have been made regarding rates of mortality/morbidity, investment returns, levels of operating expenses, rates of policy termination and rates of utilization of elective policy options or provisions. The valuation assumptions use best estimates of future experience together with a risk adjustment for non-financial risk. This risk adjustment for non-financial risk is necessary to provide for possibilities of mis-estimation and/or future deterioration in the best-estimate assumptions and provide reasonable assurance that insurance contract liabilities cover a range of possible outcomes. Risk adjustments for non-financial risk are reviewed periodically for continued appropriateness.

The Company measures the estimates of the present value of future cash flows for reinsurance held using assumptions that are consistent with those used to measure the estimates of the present value of future cash flows for the underlying insurance contracts, with an adjustment for any risk of non-performance by the reinsurer.

Investment contract liabilities are measured at fair value determined using discount rates derived from a reference portfolio or stochastic modeling at end of the reporting period. The Company's main valuation techniques incorporate all factors that market participants would consider and make maximum use of observable market data.

The methods for arriving at these valuation assumptions are outlined below:

Updated Annual Assumptions and Sensitivities Disclosures

The assumptions and sensitivities below have historically been updated in the Company's Annual MD&A. However, with the adoption of IFRS 17 and IFRS 9, the sensitivities as at December 31, 2022 have been restated to include the impact on the Company's net earnings and CSM balances. These assumptions and sensitivities will be included in all 2023 interim MD&As as shown below and will be updated in the Company's 2023 Annual MD&A.

Mortality – A life insurance mortality study is carried out regularly for each major block of insurance business. The results of each study are used to update the Company's experience valuation mortality tables for that business. Annuitant mortality is also studied regularly, and the results are used to modify established annuitant mortality tables. When there is insufficient data, use is made of the latest industry experience to derive an appropriate valuation mortality assumption. Improvement scales for life insurance and annuitant mortality are updated periodically based on population and industry studies, product specific considerations, as well as professional guidance. In addition, appropriate provisions are made for future mortality deterioration on term insurance.

- A 2% increase in the best estimate life insurance mortality assumption would cause an increase in net earnings of approximately $25 million and a decrease in contractual service margin of approximately $325 million as at December 31, 2022.
- A 2% decrease in the best estimate annuitant assumption would cause an increase in net earnings of approximately $200 million and a decrease in contractual service margin of approximately $650 million as at December 31, 2022.

Morbidity – The Company uses industry developed experience tables modified to reflect emerging Company experience. Both claim incidence and termination are monitored regularly, and emerging experience is factored into the current valuation. For products for which morbidity is a significant assumption, a 5% decrease in best estimate termination assumptions for claim liabilities and a 5% increase in best-estimate incidence assumptions for active life liabilities would cause a decrease in net earnings of approximately $100 million and a decrease in contractual service margin of approximately $125 million as at December 31, 2022.

Expenses – Expenses for certain items, such as sales commissions and policy taxes and fees are either contractual or specified by law, and so they are only reflected on a best estimate basis in the liability. Operating expenses, such as policy and claims administration as well as overhead, are more variable. The Company produces expense studies for operating expenses regularly to determine an appropriate estimate of future operating expenses for the liability type being valued. An inflation assumption is incorporated in the estimate of future operating expenses held within the liability.

- A 5% increase in the best estimate per policy expense assumptions would cause a negligible impact to net earnings and a decrease in contractual service margin of approximately $175 million as at December 31, 2022.

Policy termination – Studies to determine rates of policy termination are updated regularly to form the basis of this estimate. Industry data is also available and is useful where the Company has no experience with specific types of policies or its exposure is limited. The Company's most significant exposures are in respect of the T-100 and Level Cost of Insurance Universal Life products in Canada and policy renewal rates at the end of the term for renewable term policies in Canada and Capital and Risk Solutions. Industry experience has guided the Company's assumptions for these products as its own experience is very limited.

- A 10% adverse change in the best-estimate policy termination and renewal assumptions would cause an increase in net earnings of approximately $150 million and a decrease in contractual service margin of approximately $1,100 million as at December 31, 2022.

Property and casualty reinsurance – Insurance contract liabilities for property and casualty reinsurance written by Capital and Risk Solutions are determined using accepted actuarial practices for property and casualty insurers in Canada. The insurance contract liabilities are based on cession statements provided by ceding companies. In addition, insurance contract liabilities also include an amount for incurred but not reported losses, which may differ significantly from the ultimate loss development. The estimates and underlying methodology are continually reviewed and updated and adjustments to estimates are reflected in net earnings. Capital and Risk Solutions analyzes the emergence of claims experience against expected assumptions for each reinsurance contract separately and at the portfolio level. If necessary, a more in depth analysis is undertaken of the cedant experience.

Updated Interim Disclosures

With the adoption of IFRS 17 and IFRS 9, the sensitivities below now include the impact on the Company's net earnings. These assumptions and sensitivities will be updated quarterly.

Investment returns – Interest rate risk is managed by investing in assets that are suitable for the products sold. The Company utilizes a formal process for managing the matching of assets and liabilities. This involves grouping general fund assets and liabilities into segments. Assets in each segment are managed in relation to the liabilities in the segment.

The impact to net earnings from changes in the interest rates would be largely offset by changes in the value of financial assets supporting the liabilities. However, differences in the interest rate sensitivity in the value of assets and the value of insurance and investment contract liabilities leads to a sensitivity to interest rate movements in net earnings under IFRS 17 and IFRS 9. The Company's asset liability management strategy uses equities and other non-fixed income assets as a component of general fund assets supporting liabilities, which leads to interest rate exposure in the net earnings. Further, the classification of financial assets under IFRS 9, for example, mortgage assets which are valued at amortized cost and held in the general fund assets supporting liabilities, also contributes to interest rate exposure in net earnings.

A way of measuring the interest rate risk is to determine the net effect on the value of assets relative to insurance and investment contract liabilities that impact the shareholders' net earnings of the Company from immediate change in interest rates, as illustrated below:

- The immediate effect of an immediate 50 basis points increase in interest rates would cause an increase in net earnings of approximately $100 million as at March 31, 2023.
- The immediate effect of an immediate 50 basis points decrease in interest rates would cause a decrease in net earnings of approximately $150 million as at March 31, 2023.

In addition to interest rates, the Company is also exposed to movements in equity markets.

Some insurance and investment contract liabilities with long-tail cash-flows are supported by publicly traded common stocks and investments in other non-fixed income assets, primarily comprised of investment properties, real estate funds, private stocks, and equity release mortgages. Net earnings will reflect changes in the values on non-fixed income assets. However, in most cases the value of the liabilities will not fluctuate with changes in the value of the non-fixed income assets.

The liabilities for other products such as segregated fund products with guarantees also fluctuate with equity values. Under current market conditions, there are no earnings impacts to the Company on segregated fund business that it does not hedge, as changes in the cost of guarantees are fully offset within the CSM. For segregated fund business that the Company hedges, there is a limited earnings impact with respect to the change in liability compared to the change in hedge assets.

The following shows the expected immediate impact of an immediate 10% or 20% increase or decrease in the value of publicly traded common stocks on the shareholders' net earnings of the Company.

- A 10% increase in publicly traded common stock values would be expected to cause an increase in net earnings of approximately $100 million as at March 31, 2023.
- A 10% decrease in publicly traded common stock values would be expected to cause a decrease in net earnings of approximately $125 million as at March 31, 2023.
- A 20% increase in publicly traded common stock values would be expected to cause an increase in net earnings of approximately $200 million as at March 31, 2023.
- A 20% decrease in publicly traded common stock values would be expected to cause a decrease in net earnings of approximately $250 million as at March 31, 2023.

The following provides information on the expected immediate impacts of an immediate 5% or 10% increase or decrease in the value of other non-fixed income assets on the shareholders’ net earnings:

- A 5% increase in other non-fixed income asset values would be expected to cause an increase in net earnings of approximately $200 million as at March 31, 2023.
- A 5% decrease in other non-fixed income asset values would be expected to cause a decrease in net earnings of approximately $200 million as at March 31, 2023.
- A 10% increase in other non-fixed income asset values would be expected to cause an increase in net earnings of approximately $400 million as at March 31, 2023.
- A 10% decrease in other non-fixed income asset values would be expected to cause a decrease in net earnings of approximately $425 million as at March 31, 2023.

For a further description of the Company's sensitivity to equity market, interest rate and other fluctuations, refer to "Financial Instruments Risk Management" note 6 in the Company's condensed consolidated interim unaudited financial statements for the period ended March 31, 2023.

Risk adjustment

The risk adjustment for non-financial risk represents the compensation that the Company requires for bearing uncertainty in the amount and timing of insurance contract cash flows due to non-financial risk. The Company estimates the probability distribution of each non-financial risk and applies a diversification matrix to derive the confidence level of the risk adjustment. The Company has a target confidence level between the 85th to 90th percentile. Risk adjustment is calculated by applying a margin to the non-financial assumptions.

Discount rates

The Company measures time value of money using discount rates that are consistent with observable market prices and reflect the liquidity characteristics of the insurance contracts. They exclude the effect of factors that influence such observable market prices but do not affect the future cash flows of the insurance contracts (e.g., credit risk).

The Company applies the top-down approach for insurance contract liabilities with backing assets. Under this approach, discount rates are estimated by starting from the yield curve implied in a reference portfolio of assets that closely reflects the duration, currency, and liquidity characteristics of the insurance cash flows, and then excluding the effects of risks (e.g., credit risk) present in the cash flows from the financial instruments that are part of the reference portfolio, but not in the insurance contracts cash flows. The Company uses the fixed-income assets supporting the insurance contract liabilities as the reference portfolio to determine the discount rates, in the observable period, while the discount rates in the unobservable period are based on an ultimate investment rate. In situations where the fixed-income assets supporting the insurance contract liabilities do not appropriately reflect the illiquidity characteristics of the liability, an additional adjustment is made to the discount rate.

In cases where there are no backing assets, the Company applies the bottom-up approach to set the discount rate. This approach uses a risk-free rate, plus a spread to reflect the liquidity characteristics of the liability. Risk-free rates are determined by reference to highly liquid government securities in the currency of the insurance contract liability, and the spread is derived from an external benchmark.

The Company applies the following rates to discount cash flows by major currency:

As at March 31, 2023	Year 1		Year 5		Year 10		Year 15		Year 20	
	Min	**Max**	**Min**	**Max**	**Min**	**Max**	**Min**	**Max**	**Min**	**Max**
Insurance Contracts Issued										
CAD	**5.8%**	**6.2%**	**4.1%**	**4.4%**	**4.7%**	**5.1%**	**5.3%**	**5.7%**	**5.1%**	**5.5%**
USD	**5.7%**	**5.9%**	**4.2%**	**4.3%**	**4.4%**	**4.6%**	**5.1%**	**5.2%**	**6.8%**	**7.0%**
EUR	**3.0%**	**4.6%**	**2.3%**	**3.9%**	**2.8%**	**4.4%**	**3.2%**	**4.8%**	**2.6%**	**4.2%**
GBP	**4.4%**	**6.1%**	**3.6%**	**5.3%**	**4.5%**	**6.2%**	**5.3%**	**7.0%**	**4.9%**	**6.6%**
Reinsurance Contracts Issued										
CAD	**4.6%**	**6.2%**	**2.9%**	**4.4%**	**3.5%**	**5.0%**	**4.1%**	**5.7%**	**3.9%**	**5.5%**
USD	**5.6%**	**6.3%**	**4.1%**	**4.8%**	**4.3%**	**5.0%**	**5.0%**	**5.6%**	**6.7%**	**7.4%**
EUR	**3.0%**	**4.6%**	**2.3%**	**3.9%**	**2.8%**	**4.4%**	**3.2%**	**4.8%**	**2.6%**	**4.2%**
GBP	**4.4%**	**5.8%**	**3.6%**	**5.0%**	**4.5%**	**5.8%**	**5.3%**	**6.6%**	**4.9%**	**6.2%**

As at December 31, 2022	Year 1		Year 5		Year 10		Year 15		Year 20	
	Min	Max	Min	Max	Min	Max	Min	Max	Min	Max
Insurance Contracts Issued										
CAD	6.0%	6.3%	4.4%	4.8%	5.0%	5.3%	5.2%	5.5%	5.0%	5.3%
USD	5.8%	6.0%	4.7%	4.9%	5.2%	5.3%	5.4%	5.5%	7.0%	7.2%
EUR	2.5%	4.1%	2.8%	4.4%	3.0%	4.6%	3.2%	4.8%	2.6%	4.2%
GBP	4.0%	5.6%	4.1%	5.7%	4.8%	6.4%	5.5%	7.0%	4.9%	6.4%
Reinsurance Contracts Issued										
CAD	4.9%	6.3%	3.3%	4.8%	3.8%	5.3%	4.0%	5.5%	3.9%	5.3%
USD	5.8%	6.4%	4.7%	5.3%	5.1%	5.7%	5.3%	5.9%	7.0%	7.6%
EUR	2.5%	4.2%	2.8%	4.5%	3.0%	4.7%	3.2%	4.9%	2.6%	4.3%
GBP	4.0%	5.3%	4.1%	5.4%	4.8%	6.1%	5.5%	6.7%	4.9%	6.1%

EXPOSURES AND SENSITIVITIES

Insurance and Investment Contract Liabilities

In determining the Company's insurance contract liabilities, valuation assumptions are made regarding rates of mortality/morbidity, investment returns, levels of operating expenses, rates of policy termination and rates of utilization of elective policy options or provisions. When the assumptions are revised to reflect emerging experience or change in outlook, the result is a change in the value of liabilities which in turn affects the Company's earnings.

The earnings and CSM sensitivities illustrated in the table below represent impacts as at December 31, 2022 under the Company's current accounting policies as at March 31, 2023, including accounting for insurance contracts under IFRS 17 and financial instruments under IFRS 9. A description of the methodologies used to calculate the Company's insurance risk sensitivities is included in the "Summary of Critical Accounting Estimates" section of this document. The Company's insurance risk sensitivities at March 31, 2023 have not changed significantly from the amounts disclosed in the table below.

Non-Financial Exposures and Sensitivities	Increase (decrease) in net earnings	Increase (decrease) in CSM
	Dec. 31 2022 (Restated)	Dec. 31 2022
2% Life mortality increase	$ 25	$ (325)
2% Annuity mortality decrease	200	(650)
5% Morbidity adverse change	(100)	(125)
5% Expense increase	—	(175)
10% Adverse change in policy termination and renewal	150	(1,100)

The following table illustrates the approximate impact to the Company's earnings that would arise as a result of changes to management's best estimate of certain assumptions. A description of the methodologies used to calculate the Company's financial risk sensitivities is included in the "Summary of Critical Accounting Estimates" section of this document. For changes in asset related assumptions, the sensitivity is shown net of the corresponding impact on earnings of the change in the value of the assets supporting liabilities.

Financial Exposures and Sensitivities

	Increase (decrease) in net earnings	
	Mar. 31 2023	Dec. 31 2022 (Restated)
Investment returns:		
Change in valuation curves (market yield curves)		
50 basis points increase	**$ 100**	$ 75
50 basis points decrease	**$ (150)**	$ (125)
Change in publicly traded common stock values		
20% increase	**$ 200**	$ 200
10% increase	**$ 100**	$ 100
10% decrease	**$ (125)**	$ (125)
20% decrease	**$ (250)**	$ (225)
Change in other non-fixed income asset values		
10% increase	**$ 400**	$ 400
5% increase	**$ 200**	$ 200
5% decrease	**$ (200)**	$ (200)
10% decrease	**$ (425)**	$ (425)

Refer to the "Accounting Policies - Summary of Critical Accounting Estimates" section of this document for additional information on earnings sensitivities.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

Due to the evolving nature of IFRS, there are a number of IFRS changes impacting the Company in 2023, as well as standards that could impact the Company in future reporting periods. The Company actively monitors future IFRS changes proposed by the International Accounting Standards Board (IASB) to assess if the changes to the standards may have an impact on the Company's results or operations.

The Company adopted IFRS 17, *Insurance Contracts* (IFRS 17) and IFRS 9, *Financial Instruments* (IFRS 9) on their effective date of January 1, 2023 which replaced IFRS 4, *Insurance Contracts* (IFRS 4) and IAS 39, *Financial Instruments* (IAS 39), respectively. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts. Under IFRS 17, groups of contracts are measured at the estimate of the present value of fulfilment cash flows, adjusted for an explicit risk adjustment for non-financial risk and the Contractual Service Margin (CSM).

IFRS 9 provides changes to financial instruments accounting for the following: classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset; impairment based on an expected loss model; and hedge accounting that incorporates the risk management practices of an entity.

The Company adopted the amendments to IFRS for IAS 1, *Presentation of Financial Statements,* IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* and IAS 12, *Income Taxes* effective January 1, 2023. The adoption of these amendments did not have a material impact on the Company's financial statements.

For a further description of accounting policies, including future accounting standard changes, refer to note 2 of the Company's condensed consolidated interim unaudited financial statements for the period ended March 31, 2023.

OTHER INFORMATION

NON-GAAP FINANCIAL MEASURES AND RATIOS

Non-GAAP Financial Measures

The Company uses several non-GAAP financial measures to measure overall performance of the Company and to assess each of its business units. A financial measure is considered a non-GAAP measure for Canadian securities law purposes if it is presented other than in accordance with generally accepted accounting principles (GAAP) used for the Company's consolidated financial statements. The consolidated financial statements of the Company have been prepared in compliance with IFRS as issued by the IASB. Non-GAAP financial measures do not have a standardized meaning under GAAP and may not be comparable to similar financial measures presented by other issuers. Investors may find these financial measures useful in understanding how management views the underlying business performance of the Company.

Base earnings (loss)

Base earnings (loss) reflect management’s view of the underlying business performance of the Company and provides an alternate measure to understand the underlying business performance compared to IFRS net earnings.

Base earnings (loss) exclude the following items from IFRS reported net earnings:

- Market-related impacts, where actual market returns in the current period are different than longer-term expected returns on assets and liabilities;
- Assumption changes and management actions that impact the measurement of assets and liabilities;
- Acquisition transaction costs;
- Restructuring and integration costs;
- Material legal settlements, material impairment charges related to goodwill and intangible assets, impacts of income tax rate changes and other tax impairments, net gains, losses or costs related to the disposition or acquisition of a business; and
- Other items that, when removed, assist in explaining the Company's underlying business performance.

The definition of base earnings (loss) has been refined (in 2023 and applied to 2022 comparative results) to also exclude the following impacts that are included in IFRS reported net earnings for an improved representation of the Company's underlying business performance, as well as for consistency and comparability with financial services industry peers:

- Realized gains (losses) on the sale of assets measured at fair value through other comprehensive income (FVOCI);
- The direct equity and interest rate impacts on the measurement of surplus assets and liabilities; and
- Amortization of acquisition related finite life intangible assets.

Lifeco

	For the three months ended		
	Mar. 31 2023	Dec. 31 2022 (Restated)	Mar. 31 2022 (Restated)
Base earnings	**$ 808**	$ 869	$ 712
Items excluded from Lifeco base earnings			
Market experience gains and losses (pre-tax)	**$ (209)**	$ (393)	$ 864
Income tax (expense) benefit	**41**	7	(178)
Assumption changes and management actions (pre-tax)	**9**	(46)	(19)
Income tax (expense) benefit	**(2)**	17	1
Transaction costs related to acquisitions (pre-tax)	**—**	(5)	(8)
Income tax (expense) benefit	**—**	—	1
Restructuring and integration costs (pre-tax)	**(26)**	(43)	(17)
Income tax (expense) benefit	**7**	11	5
Tax legislative changes impact (pre-tax)	**—**	—	—
Income tax (expense) benefit	**—**	63	—
Amortization of acquisition-related finite life intangibles (pre-tax)	**(45)**	(37)	(35)
Income tax (expense) benefit	**12**	9	8
Total pre-tax items excluded from base earnings	**$ (271)**	$ (524)	$ 785
Impact of items excluded from base earnings on income taxes	**58**	107	(163)
Net earnings - common shareholders	**$ 595**	$ 452	$ 1,334

Canada

	For the three months ended		
	Mar. 31 2023	Dec. 31 2022 (Restated)	Mar. 31 2022 (Restated)
Base earnings	**$ 278**	$ 260	$ 224
Items excluded from base earnings			
Market experience gains and losses (pre-tax)	**$ (60)**	$ 78	$ 298
Income tax (expense) benefit	**17**	(17)	(72)
Assumption changes and management actions (pre-tax)	**3**	(37)	(3)
Income tax (expense) benefit	**(1)**	10	1
Amortization of acquisition-related finite life intangibles (pre-tax)	**(6)**	(7)	(6)
Income tax (expense) benefit	**2**	2	1
Tax legislative changes impact (pre-tax)	**—**	—	—
Income tax (expense) benefit	**—**	63	—
Net earnings - common shareholders	**$ 233**	$ 352	$ 443

United States

	For the three months ended		
	Mar. 31 2023	Dec. 31 2022 (Restated)	Mar. 31 2022 (Restated)
Base earnings	**$ 200**	$ 190	$ 144
Items excluded from base earnings			
Market experience gains and losses (pre-tax)	**$ (5)**	$ —	$ 1
Income tax (expense) benefit	**—**	—	(1)
Restructuring and integration costs (pre-tax)	**(26)**	(43)	(17)
Income tax (expense) benefit	**7**	11	5
Amortization of acquisition-related finite life intangibles (pre-tax)	**(34)**	(22)	(25)
Income tax (expense) benefit	**9**	6	6
Transaction costs related to acquisitions (pre-tax)	**—**	—	(2)
Income tax (expense) benefit	**—**	—	1
Net earnings - common shareholders	**$ 151**	$ 142	$ 112

Europe

	For the three months ended		
	Mar. 31 2023	Dec. 31 2022 (Restated)	Mar. 31 2022 (Restated)
Base earnings	**$ 178**	$ 256	$ 176
Items excluded from base earnings			
Market experience gains and losses (pre-tax)	**$ (155)**	$ (268)	$ 463
Income tax (expense) benefit	**16**	6	(75)
Assumption changes and management actions (pre-tax)	**6**	(14)	(11)
Income tax (expense) benefit	**(1)**	7	—
Amortization of acquisition-related finite life intangibles (pre-tax)	**(5)**	(8)	(4)
Income tax (expense) benefit	**1**	1	1
Transaction costs related to acquisitions (pre-tax)	**—**	(5)	(6)
Income tax (expense) benefit	**—**	—	—
Net earnings (loss) - common shareholders	**$ 40**	$ (25)	$ 544

Capital and Risk Solutions

	For the three months ended		
	Mar. 31 2023	Dec. 31 2022 (Restated)	Mar. 31 2022 (Restated)
Base earnings	**$ 157**	$ 181	$ 171
Items excluded from base earnings			
Market experience gains and losses (pre-tax)	**$ 22**	$ (201)	$ 97
Income tax (expense) benefit	**5**	18	(29)
Assumption changes and management actions (pre-tax)	**—**	5	(5)
Income tax (expense) benefit	**—**	—	—
Net earnings - common shareholders	**$ 184**	$ 3	$ 234

Lifeco Corporate

	For the three months ended		
	Mar. 31 2023	Dec. 31 2022 (Restated)	Mar. 31 2022 (Restated)
Base earnings (loss)	**$ (5)**	$ (18)	$ (3)
Items excluded from base earnings (loss)			
Market experience gains and losses (pre-tax)	**$ (11)**	$ (2)	$ 5
Income tax (expense) benefit	**3**	—	(1)
Net earnings (loss) - common shareholders	**$ (13)**	$ (20)	$ 1

Assets under management (AUM) and assets under administration (AUA)

Assets under management and assets under administration are non-GAAP measures that provide an indicator of the size and volume of the Company's overall business. Administrative services are an important aspect of the overall business of the Company and should be considered when comparing volumes, size and trends.

Total assets under administration includes total assets per financial statements, proprietary mutual funds and institutional assets and other assets under administration.

Lifeco

	Mar. 31 2023	Dec. 31 2022 (Restated)
Total assets per financial statements	**$ 691,853**	$ 672,206
Other AUM	**348,361**	331,734
Total AUM	**$ 1,040,214**	$ 1,003,940
Other AUA	**1,555,937**	1,464,523
Total AUA	**$ 2,596,151**	$ 2,468,463

Canada

	Mar. 31 2023	Dec. 31 2022 (Restated)
Canada wealth fee business AUA		
Segregated fund assets	**$ 97,426**	$ 93,816
Other AUM	**3,960**	4,057
Wealth fee business other AUA	**24,736**	23,975
Total Canada wealth fee business AUA	**$ 126,122**	$ 121,848
Add: Other balance sheet assets	**$ 98,876**	$ 96,433
Add: Other AUA	**2,253**	2,369
Consolidated Canada balance sheet assets	**$ 196,302**	$ 190,249
Consolidated Canada other AUM	**3,960**	4,057
Consolidated Canada other AUA	**26,989**	26,344
Total Canada AUA	**$ 227,251**	$ 220,650

United States

	Mar. 31 2023	Dec. 31 2022 (Restated)
Empower AUA		
General account	**$ 97,375**	$ 99,839
Segregated funds	**174,625**	166,274
Other AUM	**90,359**	84,653
Other AUA	**1,517,070**	1,426,834
Empower AUA	**$ 1,879,429**	$ 1,777,600
Putnam other AUM	**$ 228,282**	$ 222,363
Subtotal	**$ 2,107,711**	$ 1,999,963
Add: Other AUM consolidated adjustment	**$ (31,098)**	$ (29,878)
Add: Other balance sheet assets	**31,444**	30,088
Consolidated United States balance sheet assets	**$ 303,444**	$ 296,201
Consolidated United States other AUM	**287,543**	277,138
Consolidated United States other AUA	**1,517,070**	1,426,834
Total United States AUA	**$ 2,108,057**	$ 2,000,173

Europe

	Mar. 31 2023	Dec. 31 2022 (Restated)
Europe wealth and investment only AUA		
Segregated fund assets	**$ 133,095**	$ 127,792
Other AUM	**56,858**	50,539
Other AUA	**11,878**	11,345
Total Europe wealth and investment only AUA	**$ 201,831**	$ 189,676
Add: Other balance sheet assets	**$ 49,772**	$ 48,989
Consolidated Europe balance sheet assets	**$ 182,867**	$ 176,781
Consolidated Europe other AUM	**56,858**	50,539
Consolidated Europe other AUA	**11,878**	11,345
Total Europe AUA	**$ 251,603**	$ 238,665

Core base earnings (loss)

For Asset Management's results in the U.S segment, the Company discloses core base earnings (loss), which is a measure of Asset Management's performance. Core base earnings (loss) includes the impact of dealer commissions and software amortization and excludes the impact of certain corporate financing charges and allocations, certain tax adjustments and other non-recurring transactions. Core base earnings and non-core base earnings also excludes the amortization of acquisition-related finite life intangible assets, in line with the changes made to Lifeco's definition of base earnings. The changes allow for an improved representation of the Company's underlying business performance as well as for consistency and comparability with financial services industry peers.

Core base earnings (loss)
(In US$ million, unless otherwise noted)

	For the three months ended		
	Mar. 31 2023	Dec. 31 2022 (Restated)	Mar. 31 2022 (Restated)
Fee and net investment income	**$ 207**	$ 220	$ 229
Less: Expenses	**226**	218	228
Core base earnings	**$ (19)**	$ 2	$ 1
Less: Income taxes	**1**	1	—
Core base earnings (loss)	**$ (18)**	$ 1	$ 1
Non-core base earnings (loss)	**(2)**	(17)	(2)
Base earnings (loss)	**$ (20)**	$ (16)	$ (1)
Base earnings (loss) (C$)	**$ (27)**	$ (22)	$ (2)

Non-GAAP Ratios

A non-GAAP ratio is a financial measure in the form of a ratio, fraction, percentage or similar representation that is not disclosed in the financial statements of the Company and has a non-GAAP financial measure as one or more of its components. These financial measures do not have a standardized definition under IFRS and might not be comparable to similar financial measures disclosed by other issuers.

The non-GAAP ratios disclosed by the Company each use base earnings (loss) as the non-GAAP component. Base earnings (loss) reflect management's view of the underlying business performance of the Company and provides an alternate measure to understand the underlying business performance compared to IFRS net earnings.

- **Base dividend payout ratio** - Dividends paid to common shareholders are divided by base earnings (loss).
- **Base earnings per share** - Base earnings (loss) for the period is divided by the number of average common shares outstanding for the period.
- **Base earnings per share (diluted)** - Base earnings (loss) for the period is divided by the number of average common shares outstanding on a diluted basis for the period.
- **Base return on equity** - Base earnings (loss) for the trailing four quarters are divided by the average common shareholders' equity over the trailing four quarters. This measure provides an indicator of business unit profitability.
- **Core margin (pre-tax)** - The metrics relates to Putnam's results within the United States segment and is calculated by dividing core earnings by fee and net investment income.
- **Cost of management ratio** – Compares the amount paid by the Company to compensate its Named Executive Officers (NEOs) relative to the Company's base earnings for the same period. Calculated by dividing total annual compensation paid to NEOs (as disclosed in the Executive Compensation section of the Company's management proxy circular) by base earnings for the year.

- **Effective income tax rate - base earnings - common shareholders** - Calculated by adjusting the Company's reported income taxes and net earnings before income taxes attributable to common shareholders to remove the impact of items excluded from base earnings, to calculate the effective tax rates for common shareholders.

GLOSSARY

- **Assumption changes and management actions** - The net earnings impact of: (i) revisions to the methodologies and assumptions used in the measurement of the Company's assets, insurance contract liabilities and investment contract liabilities, and (ii) actions taken by management in the current reporting period which include, but are not limited to, changes in in-force product product features (including prices), and new or revised reinsurance deals on in-force business. Assumption changes and management actions are excluded from base earnings.
- **Book value per common share** - Measure is calculated by dividing Lifeco's common shareholder's equity by the number of common shares outstanding at the end of the period.
- **Common shareholder's equity** - A financial measure comprised of the following items from Lifeco's balance sheet: share capital - common shares, accumulated surplus, accumulated other comprehensive income and contributed surplus.
- **Dividend payout ratio** - Dividends paid to common shareholders are divided by net earnings - common shareholders.
- **Financial leverage ratio** - Defined as debt, hybrid securities, and preferred shares divided by total consolidated capitalization. The denominator also includes the after-tax non-participating CSM balance in the denominator, other than CSM associated with segregated fund guarantees. This reflects that the CSM represents future profit and is considered available capital under LICAT.
- **Impact of currency movement (constant currency basis) -** Items impacting the Company's Consolidated Statements of Earnings, such as income and benefits and expenses and net earnings, are translated into Canadian dollars at an average rate for the period. These measures highlight the impact of changes in currency translation rates on Canadian dollar equivalent IFRS results and have been calculated using the average rates, as shown below, in effect at the date of the comparative period. These measures provide useful information as it facilitates the comparability of results between periods.

	Period ended	
	March 31, 2023	Dec. 31 2022
United States dollar	**1.35**	1.36
British pound	**1.64**	1.59
Euro	**1.45**	1.39

- **Market experience gains and losses** - The net earnings impact related to the direct equity and interest rate market impacts on insurance and investment contract liabilities, net of hedging, and related deferred tax liabilities, which includes:
  - the impact of hedge ineffectiveness related to segregated fund guarantee liabilities that are hedged and the performance of the related hedge assets;
  - the impact on segregated fund guarantee liabilities not hedged;
  - the market-related impacts that are different than expectations on surplus assets, general account assets and the insurance and investment contract liabilities they support;
  - other market impacts on general account assets and the insurance and investment contract liabilities they support that cannot be attriuted to expectations within the period.

- **Net book premium** - For group life & health insurance, this measure represents the value of in-force premium at the end of the reporting period.
- **Net cash flows and net asset flows** - Indicator of the Company's ability to attract and retain business. Net cash flows and net asset flows are measured by the following:
  - Canada wealth management net cash flows include cash inflows and outflows related to segregated fund assets and proprietary and non-proprietary mutual funds.
  - Europe wealth and investment only net cash flows include cash inflows and outflows related to segregated fund assets, proprietary mutual funds and institutional assets as well as other assets under administration.
  - Empower net cash flows include cash inflows and outflows related to segregated fund assets, general fund assets, proprietary and non-proprietary mutual funds as well as other assets under management.
  - Putnam net asset flows include mutual fund and institutional sales and redemptions.
- **Office of the Superintendent of Financial Institutions Canada (OSFI)** - Is an independent Canadian federal government agency that regulates and supervises federally regulated financial institutions and pension plans to determine whether they are in sound financial condition and meeting their requirements.
- **Other assets under administration** - Includes assets where the Company only provides administration services for which the Company earns fees and other income. These assets are beneficially owned by the clients and the Company does not direct the investing activities. Services provided relating to assets under administration include recordkeeping, safekeeping, collecting investment income, settling of transactions or other administrative services. Administrative services are an important aspect of the overall business of the Company and should be considered when comparing volumes, size and trends.
- **Other assets under management** - Includes external client funds where the Company has oversight of the investment policies. Services provided in respect of proprietary mutual funds and institutional assets include the selection of investments, the provision of investment advice and discretionary portfolio management on behalf of clients.
- **Price/book value ratio** - The Company's closing share price divided by its book value per share.
- **Price/earnings ratio** - The Company's closing share price divided by its net earnings per share on a trailing four quarter basis.
- **Return on common shareholder's equity (ROE)** - Net earnings (loss) for the trailing four quarters are divided by the average common shareholders' equity over the trailing four quarters. This measure provides an indicator of business unit profitability.
- **Sales** - Sales are measured according to product type:
  - For risk-based insurance and annuity products, sales include 100% of single premium and annualized premiums expected in the first twelve months of the plan.
  - Group insurance and ASO sales reflect annualized premiums and premium equivalents for new policies and new benefits covered or expansion of coverage on existing policies.
  - For individual wealth management products, sales include deposits on segregated fund products, proprietary mutual funds and institutional accounts as well as deposits on non-proprietary mutual funds.
  - For group wealth management products, sales include assets transferred from previous plan providers and the expected annual contributions from the new plan.

- **Segmented common shareholder's equity** - The Company has a capital allocation methodology, which allocates financing costs in proportion to allocated capital. For the Canada, Europe and Capital and Risk Solutions segments (essentially Canada Life), this allocation method generally tracks the regulatory capital requirements, while for Empower and Putnam, it tracks the financial statement carrying value of the business units. Total leverage capital is consistently allocated across all business units in proportion to total capital resulting in a debt-to-equity ratio in each business unit mirroring the consolidated Company.

  The capital allocation methodology allows the Company to calculate comparable ROE for each business unit. These ROEs are therefore based on the capital the business unit has been allocated and the financing charges associated with that capital. IFRS does not prescribe the calculation of ROE and therefore a comparable measure under IFRS is not available.

DISCLOSURE CONTROLS AND PROCEDURES

The Company's disclosure controls and procedures are designed to provide reasonable assurance that information relating to the Company which is required to be disclosed in reports filed under provincial and territorial securities legislation is: (a) recorded, processed, summarized and reported within the time periods specified in the provincial and territorial securities legislation, and (b) accumulated and communicated to the Company's senior management, including the President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company's management is responsible for establishing and maintaining effective internal control over financial reporting. All internal control systems have inherent limitations and may become ineffective because of changes in conditions. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

There have been no changes during the three month period ended March 31, 2023 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Limitation on Disclosure Controls and Procedures & Internal Control Over Financial Reporting

As permitted by securities legislation, for the period ended March 31, 2023, the Company's management has limited the scope of its design of the Company's disclosure controls and procedures and the Company's internal control over financial reporting to exclude controls, policies and procedures of the Prudential's full-service retirement services business, which the Company acquired on April 1, 2022.

For the three months ended March 31, 2023, the acquired Prudential retirement services business had revenue of $639 million, net earnings of $43 million post-tax (base earnings of $69 million post-tax excluding negative impact of market experience gains and losses of $4 million, integration costs of $16 million post-tax and amortization of acquisition intangibles of $5 million post-tax). The initial amounts assigned to the assets acquired, goodwill and intangible assets on April 1, 2022 and reported as at March 31, 2023 were $124,988 million. The initial amounts assigned to the liabilities assumed on April 1, 2022 and reported as at March 31, 2023 were $122,329 million.

TRANSACTIONS WITH RELATED PARTIES

On April 3, 2023, the Company announced that Canada Life had reached an agreement to acquire Investment Planning Counsel Inc., a leading independent wealth management firm, from IGM Financial Inc. (IGM) for total cash consideration of $575 million, subject to adjustments. IGM is an affiliated company and a member of the Power Corporation group of companies. Therefore, the transaction was reviewed and approved by the Conduct Review Committee of each of the Company and Canada Life. The transaction is expected to close in the fourth quarter of 2023, subject to regulatory and customary closing conditions.

Otherwise, related party transactions have not changed materially from December 31, 2022.

QUARTERLY FINANCIAL INFORMATION

Quarterly financial information
(in $ millions, except per share amounts)

	IFRS 17/9 Presentation					IFRS 4/39 Presentation		
	2023	2022 (Restated)				2021		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Total revenue	**$ 12,359**	$ 10,510	$ 791	$ (5,350)	$ (3,586)	$ 18,122	$ 17,432	$ 17,955
Net earnings - Common Shareholders								
Total	**$ 595**	$ 452	$ 987	$ 823	$ 1,334	$ 765	$ 872	$ 784
Basic - per share	**0.64**	0.48	1.06	0.88	1.43	0.82	0.94	0.84
Diluted - per share	**0.64**	0.48	1.06	0.88	1.43	0.82	0.94	0.84

[1] This metric is a non-GAAP ratio. Refer to the "Non-GAAP Financial Measures and Ratios" section of this document for additional details.

Lifeco's consolidated net earnings attributable to common shareholders were $595 million for the first quarter of 2023 compared to $1,334 million reported a year ago. On a per share basis, this represents $0.64 per common share ($0.64 diluted) for the first quarter of 2023 compared to $1.43 per common share ($1.43 diluted) a year ago.

Total revenue for the first quarter of 2023 was $12,359 million and comprises insurance revenue of $5,037 million ($4,780 million for the same quarter last year), net investment income of $2,106 million ($1,481 million for the same quarter last year), a positive change in fair value through profit or loss on investment assets of $3,573 million (negative change of $11,298 million for the same quarter last year) and fee and other income of $1,643 million ($1,451 million for the same quarter last year).

TRANSLATION OF FOREIGN CURRENCY

Through its operating subsidiaries, Lifeco conducts business in multiple currencies. The four primary currencies are the Canadian dollar, the U.S. dollar, the British pound and the euro. Throughout this document, foreign currency assets and liabilities are translated into Canadian dollars at the market rate at the end of the reporting period. All income and expense items are translated at an average rate for the period. The rates employed are:

Translation of foreign currency **Period ended**	**Mar. 31 2023**	Dec. 31 2022	Sept. 30 2022	June 30 2022	Mar. 31 2022
United States dollar					
Balance sheet	**$ 1.35**	$ 1.35	$ 1.38	$ 1.29	$ 1.25
Income and expenses	**$ 1.35**	$ 1.36	$ 1.31	$ 1.28	$ 1.27
British pound					
Balance sheet	**$ 1.67**	$ 1.64	$ 1.54	$ 1.57	$ 1.64
Income and expenses	**$ 1.64**	$ 1.59	$ 1.54	$ 1.60	$ 1.70
Euro					
Balance sheet	**$ 1.47**	$ 1.45	$ 1.35	$ 1.35	$ 1.38
Income and expenses	**$ 1.45**	$ 1.39	$ 1.31	$ 1.36	$ 1.42

ADDITIONAL INFORMATION

Additional information relating to Lifeco, including Lifeco's most recent consolidated financial statements, CEO/CFO certification and Annual Information Form are available at www.sedar.com.

CONSOLIDATED STATEMENTS OF EARNINGS *(unaudited)*

(in Canadian $ millions except per share amounts)

	For the three months ended March 31	
	2023	2022 (Restated)
Insurance service result		
Insurance revenue (note 8)	**$ 5,037**	$ 4,780
Insurance service expenses (note 9)	**(3,995)**	(3,737)
Net expense from reinsurance contracts	**(342)**	(362)
	700	681
Net investment result (note 5)		
Net investment income	**2,106**	1,481
Changes in fair value on fair value through profit or loss assets	**3,573**	(11,298)
	5,679	(9,817)
Net finance income (expenses) from insurance contracts	**(3,570)**	8,227
Net finance income (expenses) from reinsurance contracts	**93**	(453)
Changes in investment contract liabilities	**(1,882)**	3,190
	320	1,147
Net investment result - insurance contracts on account of segregated fund policyholders		
Net investment income (loss)	**1,721**	(1,384)
Net finance income (expenses) from insurance contracts	**(1,721)**	1,384
	—	—
Other income and expenses		
Fee and other income	**1,643**	1,451
Operating and administrative expenses (note 9)	**(1,792)**	(1,488)
Amortization of finite life intangible assets	**(96)**	(86)
Financing costs	**(115)**	(88)
Restructuring and integration expenses	**(26)**	(17)
Earnings before income taxes	**634**	1,600
Income taxes (note 17)	**29**	207
Net earnings before non-controlling interests	**605**	1,393
Attributable to non-controlling interests	**(22)**	27
Net earnings	**627**	1,366
Preferred share dividends (note 14)	**32**	32
Net earnings - common shareholders	**$ 595**	$ 1,334
Earnings per common share (note 14)		
Basic	**$ 0.64**	$ 1.43
Diluted	**$ 0.64**	$ 1.43

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME *(unaudited)*

(in Canadian $ millions)

	For the three months ended March 31	
	2023	2022 (Restated)
Net earnings	**$ 627**	$ 1,366
Other comprehensive income (loss)		
Items that may be reclassified subsequently to Consolidated Statements of Earnings		
Unrealized foreign exchange gains (losses) on translation of foreign operations	**144**	(564)
Unrealized gains (losses) on hedges of the net investment in foreign operations	**(26)**	130
Income tax (expense) benefit	**2**	(12)
Unrealized gains (losses) on bonds and mortgages at fair value through other comprehensive income	**185**	(481)
Income tax (expense) benefit	**(43)**	95
Realized (gains) losses on bonds and mortgages at fair value through other comprehensive income	**36**	12
Income tax expense (benefit)	**(8)**	—
Unrealized gains (losses) on cash flow hedges	**37**	(8)
Income tax (expense) benefit	**(10)**	2
Realized (gains) losses on cash flow hedges	**(29)**	(7)
Income tax expense (benefit)	**8**	2
Non-controlling interests	**(94)**	184
Income tax (expense) benefit	**26**	(46)
Total items that may be reclassified	**228**	(693)
Items that will not be reclassified to Consolidated Statements of Earnings		
Re-measurements on defined benefit pension and other post-employment benefit plans (note 16)	**(57)**	412
Income tax (expense) benefit	**15**	(111)
Non-controlling interests	**4**	(33)
Income tax (expense) benefit	**(1)**	9
Total items that will not be reclassified	**(39)**	277
Total other comprehensive income (loss)	**189**	(416)
Comprehensive income	**$ 816**	$ 950

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PART B
GREAT-WEST LIFECO INC.

CONSOLIDATED BALANCE SHEETS *(unaudited)*

(in Canadian $ millions)

	March 31 2023	December 31 2022 (Restated)	January 1 2022 (Restated)
Assets			
Cash and cash equivalents	**$ 6,666**	$ 7,290	$ 6,075
Bonds (note 5)	**158,252**	156,091	142,655
Mortgage loans (note 5)	**37,643**	37,197	29,357
Stocks (note 5)	**15,309**	14,301	14,225
Investment properties (note 5)	**8,328**	8,344	7,763
	226,198	223,223	200,075
Insurance contract assets (note 10)	**1,158**	1,140	1,533
Reinsurance contract held assets (note 11)	**17,601**	17,571	21,843
Goodwill	**10,623**	10,611	9,107
Intangible assets	**6,223**	6,230	5,514
Derivative financial instruments	**2,158**	2,314	967
Owner occupied properties	**724**	724	736
Fixed assets	**403**	399	422
Accounts and interest receivable	**4,420**	4,355	3,210
Other assets	**15,450**	15,949	14,435
Current income taxes	**170**	338	268
Deferred tax assets	**1,579**	1,470	1,325
Investments on account of segregated fund policyholders (note 12)	**405,146**	387,882	357,419
Total assets	**$ 691,853**	$ 672,206	$ 616,854
Liabilities			
Insurance contract liabilities (note 10)	**$ 138,765**	$ 135,438	$ 157,910
Investment contract liabilities	**94,612**	94,810	53,694
Reinsurance contract held liabilities (note 11)	**549**	537	1,290
Debentures and other debt instruments	**10,311**	10,509	8,804
Derivative financial instruments	**1,508**	1,639	1,030
Accounts payable	**2,347**	2,758	2,469
Other liabilities	**8,663**	8,913	6,293
Current income taxes	**170**	152	193
Deferred tax liabilities	**745**	773	677
Insurance contracts on account of segregated fund policyholders (note 12)	**59,435**	57,841	65,253
Investment contracts on account of segregated fund policyholders (note 12)	**345,711**	330,041	292,166
Total liabilities	**662,816**	643,411	589,779
Equity			
Non-controlling interests			
Participating account surplus in subsidiaries	**2,778**	2,734	2,984
Non-controlling interests in subsidiaries	**190**	152	129
Shareholders' equity			
Share capital			
Limited recourse capital notes	**1,500**	1,500	1,500
Preferred shares	**2,720**	2,720	2,720
Common shares (note 13)	**5,804**	5,791	5,748
Accumulated surplus	**14,942**	14,976	13,216
Accumulated other comprehensive income	**905**	713	586
Contributed surplus	**198**	209	192
Total equity	**29,037**	28,795	27,075
Total liabilities and equity	**$ 691,853**	$ 672,206	$ 616,854

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY *(unaudited)*

(in Canadian $ millions)

	March 31, 2023					
	Share capital	**Contributed surplus**	**Accumulated surplus**	**Accumulated other comprehensive income (loss)**	**Non-controlling interests**	**Total equity**
Balance, beginning of year (Restated)	**$ 10,011**	**$ 209**	**$ 14,976**	**$ 713**	**$ 2,886**	**$ 28,795**
Impact of initial application of IFRS 9 (note 3)	**—**	**—**	**(33)**	**3**	**—**	**(30)**
Revised balance, beginning of year	**10,011**	**209**	**14,943**	**716**	**2,886**	**28,765**
Net earnings	**—**	**—**	**627**	**—**	**(22)**	**605**
Other comprehensive income (loss)	**—**	**—**	**—**	**189**	**65**	**254**
	10,011	**209**	**15,570**	**905**	**2,929**	**29,624**
Dividends to shareholders						
Preferred shareholders (note 14)	**—**	**—**	**(32)**	**—**	**—**	**(32)**
Common shareholders	**—**	**—**	**(485)**	**—**	**—**	**(485)**
Shares exercised and issued under share-based payment plans (note 13)	**17**	**(34)**	**—**	**—**	**33**	**16**
Shares purchased and cancelled under Normal Course Issuer Bid (note 13)	**(22)**	**—**	**—**	**—**	**—**	**(22)**
Excess of redemption proceeds over stated capital per Normal Course Issuer Bid (note 13)	**18**	**—**	**(18)**	**—**	**—**	**—**
Share-based payment plans expense	**—**	**23**	**—**	**—**	**—**	**23**
Acquisition of non-controlling interest in subsidiary	**—**	**—**	**(52)**	**—**	**(35)**	**(87)**
Dilution loss on non-controlling interests	**—**	**—**	**(41)**	**—**	**41**	**—**
Balance, end of period	**$ 10,024**	**$ 198**	**$ 14,942**	**$ 905**	**$ 2,968**	**$ 29,037**

	March 31, 2022 (Restated)					
	Share capital	Contributed surplus	Accumulated surplus	Accumulated other comprehensive income (loss)	Non-controlling interests	Total equity
Balance, beginning of year	$ 9,968	$ 192	$ 16,424	$ 632	$ 3,267	$ 30,483
Impact of initial application of IFRS 17 (note 3)	—	—	(4,835)	—	(517)	(5,352)
Impact of application of IFRS 9 overlay (note 3)	—	—	1,627	(46)	363	1,944
Revised balance, beginning of year	9,968	192	13,216	586	3,113	27,075
Net earnings	—	—	1,366	—	27	1,393
Other comprehensive income (loss)	—	—	—	(416)	(114)	(530)
	9,968	192	14,582	170	3,026	27,938
Dividends to shareholders						
Preferred shareholders (note 14)	—	—	(32)	—	—	(32)
Common shareholders	—	—	(457)	—	—	(457)
Shares exercised and issued under share-based payment plans (note 13)	40	(31)	—	—	27	36
Share-based payment plans expense	—	22	—	—	—	22
Preferred share redemption costs	—	—	(2)	—	—	(2)
Dilution loss on non-controlling interests	—	—	(54)	—	54	—
Balance, end of period	$ 10,008	$ 183	$ 14,037	$ 170	$ 3,107	$ 27,505

CONSOLIDATED STATEMENTS OF CASH FLOWS *(unaudited)*

(in Canadian $ millions)

	For the three months ended March 31	
	2023	2022
Operations		(Restated)
Earnings before income taxes	**$ 634**	$ 1,600
Income taxes paid, net of refunds received	**(33)**	(78)
Adjustments:		
Change in insurance contract liabilities	**2,837**	(10,549)
Change in investment contract liabilities	**(203)**	(2,571)
Change in reinsurance contract held liabilities	**7**	1,260
Change in reinsurance contract held assets	**22**	469
Change in insurance contract assets	**(69)**	(189)
Changes in fair value through profit or loss	**(3,573)**	11,298
Other	**(656)**	200
	(1,034)	1,440
Financing Activities		
Issue of common shares	**17**	40
Purchased and cancelled common shares	**(22)**	—
Increase in line of credit of subsidiaries	**—**	1,028
Decrease in line of credit of subsidiaries	**(230)**	(25)
Preferred share redemption costs	**—**	(2)
Dividends paid on common shares	**(485)**	(457)
Dividends paid on preferred shares	**(32)**	(32)
	(752)	552
Investment Activities		
Bond sales and maturities	**6,835**	7,702
Mortgage loan repayments	**787**	531
Stock sales	**497**	1,314
Investment property sales	**2**	5
Investment in bonds	**(5,057)**	(5,440)
Investment in mortgage loans	**(651)**	(1,765)
Investment in stocks	**(1,195)**	(924)
Investment in investment properties	**(82)**	(66)
	1,136	1,357
Effect of changes in exchange rates on cash and cash equivalents	**26**	(167)
Increase (decrease) in cash and cash equivalents	**(624)**	3,182
Cash and cash equivalents, beginning of year	**7,290**	6,075
Cash and cash equivalents, end of period	**$ 6,666**	$ 9,257
Supplementary cash flow information		
Interest income received	**$ 1,727**	$ 1,182
Interest paid	**70**	63
Dividend income received	**105**	88

CONDENSED NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(unaudited)*

(in Canadian $ millions except per share amounts and where otherwise indicated)

1. Corporate Information

Great-West Lifeco Inc. (Lifeco or the Company) is a publicly listed company (Toronto Stock Exchange: GWO), incorporated and domiciled in Canada. The registered address of the Company is 100 Osborne Street North, Winnipeg, Manitoba, Canada, R3C 1V3. Lifeco is a member of the Power Corporation of Canada (Power Corporation) group of companies and is a subsidiary of Power Corporation.

Lifeco is a financial services holding company with interests in the life insurance, health insurance, retirement savings, wealth and asset management, and reinsurance businesses, primarily in Canada, the United States and Europe through its operating subsidiaries including The Canada Life Assurance Company (Canada Life), Empower Annuity Insurance Company of America (Empower) and Putnam Investments, LLC (Putnam).

The condensed consolidated interim unaudited financial statements (financial statements) of the Company as at and for the three months ended March 31, 2023 were approved by the Board of Directors on May 9, 2023.

2. Basis of Presentation and Summary of Material Accounting Policies

These financial statements should be read in conjunction with the Company's December 31, 2022 consolidated annual audited financial statements and notes thereto.

The financial statements of the Company at March 31, 2023 have been prepared in compliance with the requirements of International Accounting Standard 34, *Interim Financial Reporting* (IAS 34) as issued by the International Accounting Standards Board (IASB) using the same accounting policies and methods of computation followed in the consolidated annual audited financial statements for the year ended December 31, 2022 except as described below.

<ins>Changes in Accounting Policies</ins>
The Company adopted IFRS 17, *Insurance Contracts* (IFRS 17) and IFRS 9, *Financial Instruments* (IFRS 9) on their effective date of January 1, 2023 which replaced IFRS 4, *Insurance Contracts* (IFRS 4) and IAS 39, *Financial Instruments* (IAS 39), respectively.

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts. Under IFRS 17, groups of contracts are measured at the estimate of the present value of fulfillment cash flows, adjusted for an explicit risk adjustment for non-financial risk and the contractual service margin (CSM).

IFRS 9 provides changes to financial instruments accounting for the following: classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset; impairment based on an expected loss model; and hedge accounting that incorporates the risk management practices of an entity.

The accounting policies materially impacted by the adoption of IFRS 17 and IFRS 9 are described below.

Accounting Policies Impacted by IFRS 9

Under IFRS 9, a financial asset is measured at fair value on initial recognition and is classified and subsequently measured as fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI), or amortized cost based upon the Company's business model for managing its assets and the contractual cash flow characteristics of the asset.

The Company's business models are determined at the level that reflects how its groups of financial assets are managed together to achieve business objectives.

A financial asset is classified as FVOCI if it meets the following criteria and is not designated as FVTPL:

- It is held in a business model whose objective is to hold to collect contractual cash flows and sell financial assets, and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

A financial asset is classified as amortized cost if it meets the following criteria and is not designated as FVTPL:

- It is held in a business model whose objective is to hold to collect contractual cash flows, and
- Its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

FVOCI investments are recognized at fair value on the Consolidated Balance Sheets with unrealized gains and losses recorded in the Consolidated Statements of Other Comprehensive Income. Realized gains and losses on FVOCI bond and mortgage investments are reclassified from other comprehensive income and recorded in the Consolidated Statements of Earnings when the investment is sold.

Any financial asset that does not qualify for measurement at amortized cost or FVOCI is classified as FVTPL. For financial instruments that meet the amortized cost or FVOCI criteria, the Company may exercise the option to designate, at initial recognition, such financial instruments as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Investments measured as FVTPL are recognized at fair value on the Consolidated Balance Sheets with realized and unrealized gains and losses recorded in the Consolidated Statements of Earnings.

Investments in stocks, except for those where the Company exerts significant influence, are classified on initial recognition as FVTPL unless an irrevocable designation is made to classify an individual instrument as FVOCI.

Interest income earned on bonds and mortgages is calculated using the effective interest method and is recorded as net investment income in the Consolidated Statements of Earnings.

Fair Value Measurement

The following is a description of the methodologies used to value instruments carried at fair value:

Bonds - FVTPL and FVOCI

Fair values for bonds measured as FVTPL or FVOCI are determined with reference to quoted market bid prices primarily provided by third-party independent pricing sources. Where prices are not quoted in an active market, fair values are determined by valuation models. The Company maximizes the use of observable inputs when measuring fair value. The Company obtains quoted prices in active markets, when available, for identical assets at the balance sheet date to measure bonds at fair value in its FVTPL and FVOCI portfolios.

The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Mortgages - FVTPL and FVOCI

There are no market observable prices for mortgages; therefore fair values for mortgages are determined by discounting expected future cash flows using current market rates for similar instruments. Valuation inputs typically include benchmark yields and risk-adjusted spreads based on current lending activities and market activity.

Equity Release Mortgages - FVTPL

There are no market observable prices for equity release mortgages; therefore an internal valuation model is used discounting expected future cash flows and includes consideration of the embedded no-negative equity guarantee. Inputs to the model include market observable inputs such as benchmark yields and risk-adjusted spreads. Non-market observable inputs include property growth and volatility rates, expected rates of voluntary redemptions, death, moving to long term care and interest cessation assumptions and the value of the no negative equity guarantee.

Stocks - FVTPL

Fair values for stocks traded on an active market are generally determined by the last bid price for the security from the exchange where it is principally traded. Fair values for stocks for which there is no active market are typically based upon alternative valuation techniques such as discounted cash flow analysis, review of price movement relative to the market and utilization of information provided by the underlying investment manager. The Company maximizes the use of observable inputs when measuring fair value. The Company obtains quoted prices in active markets, when available, for identical assets at the balance sheet date to measure stocks at fair value in its fair value through profit or loss portfolio.

Hedge Accounting

As permitted under IFRS 9, the Company has elected to continue to apply the hedge accounting principles under IAS 39 instead of those under IFRS 9. The Company’s accounting policy for hedge accounting is disclosed in the notes to the December 31, 2022 consolidated annual audited financial statements.

Expected Credit Losses

Under IFRS 9, expected credit loss (ECL) allowances are recognized on all financial assets, except for financial assets classified or designated as FVTPL and equity securities designated as FVOCI. The ECL model under IFRS 9 replaces the incurred loss model under IAS 39.

The Company measures loss allowances at either a 12-month ECL or lifetime ECL. A 12-month ECL results from any default events that could potentially occur within the 12 months following the reporting date. A 12-month ECL is calculated for financial assets that are determined to have low credit risk or the credit risk has not increased significantly since initial recognition. A lifetime ECL results from all possible default events over the expected life of the financial asset, which is the maximum contractual period over which the Company is exposed to the credit risk. A lifetime ECL is recognized for financial assets that have experienced a significant increase in credit risk since initial recognition or when there is objective evidence of impairment.

Measurement of Expected Credit Losses

The ECL allowance is based on a probability-weighted estimate of credit losses expected as a result of defaults over the relevant time period as prescribed under the ECL model. The measurement of ECL for a financial asset is based primarily on the exposure at default, the probability of default, and the loss given default. The measurement of ECL allowances requires the use of judgment and assumptions.

For performing financial assets, the ECL is calculated as the present value of all cash shortfalls which are the difference between cash flows due to the Company and the cash flows expected to be received. For financial assets that are impaired, the ECL is calculated as the difference between the carrying value of the asset and the present value of estimated future cash flows. Financial assets that are subject to ECL allowances are categorized into three stages:

Stage 1

Performing financial assets that have not experienced a significant increase in credit risk since initial recognition or have low credit risk are categorized into stage 1. A 12-month ECL allowance is calculated for stage 1 financial assets. To assess if credit risk has increased significantly, the Company compares the risk of default at initial recognition to the risk as at the current reporting date.

Stage 2

Performing financial assets that have experienced a significant increase in credit risk since initial recognition are categorized into stage 2. A lifetime ECL allowance is calculated for stage 2 financial assets. Financial assets are assessed for a significant increase in credit risk on an individual basis, utilizing the Company's internal credit risk rating system and the monitoring of timely payments on the assets. Financial assets that have contractual payments more than 30 days past due are generally presumed to have experienced a significant increase in credit risk and are included in stage 2. A financial asset in stage 2 can revert to stage 1 if the credit risk subsequently improves.

Stage 3

Impaired financial assets are categorized into stage 3 and require a lifetime ECL allowance. Financial assets are reviewed regularly on an individual basis to determine impairment status. The Company considers various factors in the impairment evaluation process, including, but not limited to, the financial condition of the issuer, specific adverse conditions affecting an industry or region, decline in fair value not related to interest rates, bankruptcy or defaults, and delinquency in payments of interest or principal. Financial assets are deemed to be impaired when there is objective evidence that timely collection of future cash flows can no longer be reliably estimated. The fair value of a financial asset is not a definitive indicator of impairment, as it may be significantly influenced by other factors including the remaining term to maturity and liquidity of the asset; however, market price is taken into consideration when evaluating impairment.

Presentation of Expected Credit Losses

The ECL allowance for financial assets classified as FVOCI is recognized in the Consolidated Statements of Other Comprehensive Income and does not reduce the carrying value of the asset. Financial assets classified as amortized cost are presented net of the ECL allowance in the Consolidated Balance Sheets.

When there is no expectation of recovery, the Company will partially or fully write off a financial asset against the related allowance for credit loss. Financial assets that are written off could still be subject to enforcement activities. In subsequent periods, any recoveries of amounts previously written off are credited to the provision for credit losses and are recognized as net investment income in the Consolidated Statements of Earnings.

Accounting Policies Impacted by IFRS 17

Contract Classification

Insurance Contracts

The Company identifies insurance contracts as arrangements where the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or beneficiary of the contract for specified uncertain future events that adversely affect the policyholder and whose amount and timing is unknown.

The Company determines whether a contract contains significant insurance risk by assessing if an insured event could cause the Company to pay to the policyholder additional amounts that are significant in any single scenario with commercial substance even if the insured event is extremely unlikely or the expected present value of the contingent cash flows is a small proportion of the expected present value of the remaining cash flows from the insurance contract. In making this assessment, the Company considers all its substantive rights and obligations, whether they arise from contract, law or regulation.

When the Company issues insurance contracts to compensate another entity for claims arising from one or more insurance contracts issued by that other entity, the associated contracts are reinsurance contracts issued which is part of insurance contracts issued.

Reinsurance Contracts Held

The Company enters into arrangements to transfer insurance risk, along with the respective premiums, to one or more reinsurers who will share the risks. To the extent that assuming reinsurers are unable to meet their obligations, the Company remains liable to its policyholders for the portion reinsured. Contracts of this nature are defined as reinsurance contracts held.

Separating Components from Insurance and Reinsurance Contracts

At inception, the Company separates the following components from an insurance or reinsurance contract held and accounts for them as if they were stand-alone financial instruments:

- Derivatives embedded in the contract which have economic characteristics and risks that are not closely related to those of the host contract, and which have terms that would not meet the definition of an insurance or reinsurance contract held as a stand-alone instrument; and
- Distinct investment components: investment components that are not highly inter-related with the insurance components and for which contracts with equivalent terms are sold, or could be sold, separately in the same market or the same jurisdiction.

After separating any financial instrument components, the Company separates any promises to transfer distinct goods or non-insurance services to policyholders and accounts for them as separate contracts with customers. A good or service is distinct if the policyholder can benefit from it either on its own or with other resources that are readily available to the policyholder. A good or service is not distinct and is accounted for together with the insurance component if the cash flows and risks associated with the good or service are highly inter-related with the cash flows and risks associated with the insurance component, and the Company provides a significant service of integrating the good or service with the insurance component.

Level of Aggregation

The Company determines its level of aggregation for the insurance contracts issued by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. The Company has defined portfolios of insurance contracts issued based on its product lines. Portfolios are further disaggregated into groups of contracts that are issued within an annual period (typically a financial year) and are further divided into onerous contracts and all other contracts. An insurance contract is onerous if, at the date of initial recognition, the estimated fulfillment cash flow expectations determined on a probability-weighted basis is a net outflow. The Company’s evaluation of whether contracts are onerous is based on reasonable and supportable information.

In determining groups of contracts, the Company has elected to include in the same group contracts where its ability to set prices or levels of benefits for policyholders with different characteristics is constrained by regulation. Contracts are aggregated into groups once they have been initially recognized.

The Company has defined portfolios of reinsurance contracts held based on the portfolios of the underlying insurance contracts issued. Groups of reinsurance contracts held that are entered into within an annual period (typically a financial year) are divided based on whether they are in a net gain or net loss position at initial recognition.

Some reinsurance contracts held provide cover for underlying contracts that are included in different groups. However, these contracts’ legal form of a single contract reflects the substance of the Company’s contractual rights and obligations, considering that the different remaining coverages lapse together and are not sold separately. As a result, the reinsurance contract held is not separated into multiple insurance components that relate to different underlying groups.

Initial Recognition

The Company recognizes a group of insurance contracts that it issues from the earliest of:

- The beginning of the coverage period of the group of contracts;
- The date when the first payment from a policyholder in the group becomes due or when the first payment is received if there is no due date; and
- For a group of onerous contracts, when the group becomes onerous if facts and circumstances indicate there is such a group.

A group of reinsurance contracts held is recognized on the following date:

- Reinsurance contracts held initiated by the Company that provide proportionate coverage: the date on which any underlying insurance contract is initially recognized;
- Other reinsurance contracts held initiated by the Company: the beginning of the coverage period of the group of reinsurance contracts. However, if the Company recognizes an onerous group of underlying insurance contracts on an earlier date and the related reinsurance contract held was entered into before that earlier date, then the group of reinsurance contracts held is recognized on that earlier date; and
- Reinsurance contracts held that are acquired by the Company: the date of acquisition.

Contract Boundaries

The Company includes in the measurement of a group of insurance and reinsurance contracts held all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of a contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay the premiums (or is compelled to pay amounts to a reinsurer), or in which the Company has a substantive obligation to provide the policyholder with services (or receive services from a reinsurer). A substantive obligation to provide services ends when:

- The Company has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks, or
- Both the following criteria are satisfied:
    - The Company has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio; and
    - The pricing of the premiums for coverage up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

For reinsurance contracts held, a substantive obligation to receive services ends when the reinsurer has the practical ability to reassess the risk transferred to it and, as a result, can set a price or level of benefits that fully reflects those risks, or the reinsurer has the substantive right to terminate the coverage.

For insurance contracts with renewal periods, the Company assesses whether premiums and related cash flows that arise from the renewed contract are within the contract boundary. The pricing of renewals is established by the Company after considering the risks and terms of coverage for the policyholder, with reference to the pricing of contracts with equivalent risks and terms on the renewal dates. The Company reassesses the contract boundary of each group at the end of each reporting period.

Liabilities or assets relating to expected premiums or claims outside the boundary of the insurance contract are not recognized - such amounts relate to future insurance contracts.

Measurement of Insurance Contracts

There are three measurement models provided by IFRS 17 to measure insurance contracts:

- The General Measurement Model (GMM);
- The Variable Fee Approach (VFA); and
- The Premium Allocation Approach (PAA).

The General Measurement Model

The Company applies this model to its medium to long-term insurance products, such as individual protection, payout annuities, and longevity swaps.

Initial Measurement

On initial recognition, the Company measures a group of insurance contracts as the total of the fulfillment cash flows, and the CSM.

Fulfillment Cash Flows

Fulfillment cash flows comprise probability-weighted estimates of future cash flows, discounted to reflect the time value of money and the associated financial risks, plus a risk adjustment for non-financial risk.

The Company estimates future contractual cash flows within the contracts' boundary by considering evidence from current and past conditions, as well as possible future conditions to reflect market and non-market variables impacting the valuation of cash flows. The estimates of these cash flows are based on probability-weighted expected values that reflect the average of a full range of possible outcomes and includes an explicit risk adjustment for non-financial risk. The risk adjustment is the compensation the Company receives in fulfilling an insurance contract that arises from uncertainties surrounding the amount and timing of cash flows for non-financial risks. The non-financial risk assumptions are mortality, longevity, morbidity, lapse, and expense. Estimates and assumptions are reviewed periodically for appropriateness in reflecting current, past, and future conditions.

When estimating fulfillment cash flows, the Company includes all cash flows that are within the contract boundary including:

- Premiums and related cashflows;
- Claims and benefits, including reported claims not yet paid, incurred claims not yet reported and expected future claims;
- Premium and other transaction-based taxes and cash flows from loans to policyholders;
- Insurance acquisition cash flows which are allocated to groups of contracts on a systematic and rational basis;
- Other fixed and variable expenses directly attributable to the fulfillment of insurance contracts;
- Investment expenses incurred in investment activities related to underlying items such as universal life funds and segregated fund account balances are also included in the fulfillment cash flows; and
- The impact of funds withheld for reinsurance contracts issued to manage credit risk.

Contractual Service Margin

The CSM of a group of insurance contracts represents the unearned profit that the Company expects to recognize in the future as it provides services under those contracts.

On initial recognition of a group of insurance contracts, if the total of the fulfillment cash flows, any derecognized assets for insurance acquisition cash flows, and any cash flows arising at that date is a net inflow, the group of contracts is non-onerous. In this case, the CSM is measured as the equal and opposite amount of the net inflow, which results in no net income or expenses arising on initial recognition.

Discount Rates

The Company measures time value of money using discount rates that are consistent with observable market prices and reflect the liquidity characteristics of the insurance contracts. They exclude the effect of factors that influence such observable market prices but do not affect the future cash flows of the insurance contracts (e.g., credit risk).

The Company applies the top-down approach for insurance contract liabilities with backing assets. Under this approach, discount rates are estimated by starting from the yield curve implied in a reference portfolio of assets that closely reflects the duration, currency, and liquidity characteristics of the insurance cash flows, and then excluding the effects of risks (e.g., credit risk) present in the cash flows from the financial instruments that are part of the reference portfolio, but not in the insurance contracts cash flows. The Company uses the fixed-income assets supporting the insurance contract liabilities as the reference portfolio to determine the discount rates, in the observable period, while the discount rates in the unobservable period are based on an ultimate investment rate. In situations where the fixed-income assets supporting the insurance contract liabilities do not appropriately reflect the illiquidity characteristics of the liability, an additional adjustment is made to the discount rate.

In cases where there are no backing assets, the Company applies the bottom-up approach to set the discount rate. This approach uses a risk-free rate, plus a spread to reflect the liquidity characteristics of the liability. Risk-free rates are determined by reference to highly liquid government securities in the currency of the insurance contract liability, and the spread is derived from an external benchmark.

Risk Adjustment

The risk adjustment for non-financial risk represents the compensation that the Company requires for bearing uncertainty in the amount and timing of insurance contract cash flows due to non-financial risk. The Company estimates the probability distribution of each non-financial risk and applies a diversification matrix to derive the confidence level of the risk adjustment. The Company has a target confidence level between the 85th to 90th percentile. Risk adjustment is calculated by applying a margin to the non-financial assumptions.

Insurance Acquisition Cash Flows

Insurance acquisition cash flows arise from selling and underwriting activities required to initiate a group of contracts.

Any assets or liabilities for insurance acquisition cash flows recognized before the corresponding insurance contracts are recognized and included in the carrying amount of the related groups of insurance contracts issued. Judgments are applied by management to determine which costs are directly attributable to the issuance of a group of contracts and the portion of those costs that are allocated to groups of contracts arising from expected renewals.

The asset for insurance acquisition cash flows is tested for impairment annually or more frequently if facts and circumstances indicate that impairment may have occurred. In testing for impairment, the carrying value of the asset is compared to the expected net cash inflow for the related group of insurance contracts.

Additionally, if a portion of the asset for insurance acquisition cash flows has been allocated to future renewals of the related group of contracts, the carrying value of the asset is compared to the expected net cash inflow for those expected renewals. If the carrying value exceeds the expected net cash inflows described above, a loss is recognized in the insurance service result. In the event that facts and circumstances indicate the asset for insurance acquisition cash flows is no longer impaired, the impairment loss, or a portion thereof, is reversed.

Subsequent Measurement

The carrying amount of a group of insurance contracts at each reporting date is the sum of the liability for remaining coverage and the liability for incurred claims.

- The liability for remaining coverage comprises the fulfillment cash flows that relate to services that will be provided under the contracts in future periods and any remaining CSM at that date.
- The liability for incurred claims comprises the fulfillment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported.

The fulfillment cash flows for groups of insurance contracts are measured at the reporting date using current estimates of future cash flows, current discount rates, and current estimates of risk adjustment for non-financial risk.

For a group of insurance contracts, the carrying amount of the CSM of the group at the end of the reporting period equals the carrying amount at the start of the reporting period, adjusted for:

- The CSM of any new contracts that are added to the group in the period;
- Interest accreted on the carrying amount of the CSM during the period, measured at the discount rates on nominal cash flows that do not vary based on the returns on any underlying items determined on initial recognition;
- The changes in fulfillment cash flows that relate to future services (measured using initial recognition discount rates), except to the extent that:
    - Any increases in the fulfillment cash flows that exceed the carrying amount of the CSM, in which case the excess is recognized as a loss in the Consolidated Statements of Earnings and creates a loss component; or
    - Any decreases in the fulfillment cash flows are allocated to the loss component, reversing losses previously recognized in the Consolidated Statements of Earnings;
- The effect of any currency exchange differences on the CSM; and
- The amount recognized as insurance revenue because of the services provided in the period.

The changes in fulfillment cash flows that relate to future services that adjust the CSM comprise of:

- Experience adjustments arising from premium and premium related cash flows received in the period that relate to future services;
- Changes in both estimates of the present value of future cash flows and risk adjustment in the liability for remaining coverage, measured at the discount rates determined on initial recognition, except for those that relate to the effects of the time value of money and financial risk changes; and
- Differences between any investment components not separated from the contract expected to become payable in the period (after allowing for financial experience variance) and the actual investment component that becomes payable in the period, measured at the discount rates determined on initial recognition.

Changes in expected future discretionary cash flows are regarded as an assumption relating to future services and accordingly adjust the CSM.

Changes in fulfillment cash flows that relate to current or past service are recognized in the Consolidated Statements of Earnings as part of the insurance service result. Changes that relate to the effects of the time value of money and financial risk are recognized in insurance finance income or expenses.

The Variable Fee Approach

The Company applies this model to contracts with direct participating features such as participating insurance and segregated fund business with insurance guarantees, where an investment return is provided to the policyholder based on a defined pool of items (e.g. a portfolio of assets).

Recognition

The Company will recognize an insurance contract under the VFA if it meets all of the following conditions at initial recognition:

- The policyholder participates in a share of a clearly identified pool of underlying items;

- The Company expects to pay the policyholder an amount equal to a substantial share of the returns from the underlying items; and
- The substantial proportion of the cash flows the Company expects to pay to the policyholder is expected to vary with cash flows from the underlying items.

The Company performs the test for VFA qualification at initial recognition.

Initial Measurement

Similar to the GMM, the VFA initially measures the insurance contract liabilities as the fulfillment cash flows plus CSM.

Subsequent Measurement

For a group of insurance contracts applying the VFA, the carrying amount of the CSM of the group at the end of the reporting period equals the carrying amount at the beginning of the reporting period adjusted for the following:

- The effect of any new contracts added to the group;
- The Company's share of the change in the fair value of the underlying items, except to the extent that:
    - The Company has a previously documented risk-management objective and strategy for using derivatives to mitigate financial risk arising from the insurance contracts, as it does for the insured assets contracts;
    - The Company's share of a decrease in the fair value of the underlying items exceeds the carrying amount of the contractual service margin, giving rise to a loss; or
    - The Company's share of an increase in the fair value of the underlying items reverses the amount previously recognized as a loss.
- The changes in fulfillment cash flows, relating to future service, except to the extent that:
    - The Company has a previously documented risk-management objective and strategy for using derivatives to mitigate financial risk arising from the insurance contracts, as it does for insured assets contracts;
    - Such increases in the fulfillment cash flows exceed the carrying amount of the contractual service margin, giving rise to a loss; or
    - Such decreases in the fulfillment cash flows are allocated to the loss component of the liability for remaining coverage.
- The effect of any currency exchange differences on the CSM; and
- The amount recognized as insurance revenue because of the services provided in the period.

Risk Mitigation

The Company mitigates the financial risks created by guarantees embedded in some of their insurance contracts with direct participation features through the use of derivatives. The derivatives are in the scope of IFRS 9 with changes in their fair value reflected in the Consolidated Statements of Earnings. In applying risk mitigation, the financial impact on the guarantees embedded in these direct participating contracts do not adjust the CSM and are also reflected in the Consolidated Statements of Earnings.

Premium Allocation Approach

The Company applies this model to its short-term insurance products, such as group life and health.

Recognition

Contracts with Coverage Periods of One Year or Less

The Company applies the PAA to measure the liability for remaining coverage of insurance contracts with coverage periods of one year or less.

Contracts with Coverage Periods of More than One Year

The Company applies the PAA to contracts with coverage periods longer than one year that are relatively stable and have low variability in fulfillment cash flows. The low variability in fulfillment cash flows indicates there is no material difference in the liability for remaining coverage measured under the PAA as compared to the GMM. Generally, this applies to products with rate guarantees between 2 and 5 years.

New groups of insurance contracts are assessed to determine whether they can be measured using the PAA at initial recognition.

The eligibility test for the PAA model will not be subsequently performed after initial recognition unless there are substantial changes to the terms of the groups of insurance contracts.

Measurement

Initial Measurement of the Liability for Remaining Coverage

On initial recognition, the liability for remaining coverage is initially measured as the premiums received in the period minus any insurance acquisition cash flows not expensed, plus or minus any amount caused by the derecognition of an acquisition cash flow asset or liability which represents any acquisition costs that were paid before the contracts were recognized.

Insurance acquisition costs are included as fulfillment cash flows of the liability and are allocated over the contract boundary on a straight-line basis. For contracts with expected future renewals, a portion of the acquisition costs are capitalized as an asset and deferred until the future contract renewals are recognized.

The fulfillment cash flows of contracts with coverage periods of more than one year are discounted to reflect the impact of financial risk on the contract. The discount rates used reflect the characteristics of the contract cash flows. For contracts where premiums are received within one year of the coverage period, the Company has elected not to adjust the liability for the time value of money.

Subsequent Measurement

At the end of each reporting period, the Company measures the liability for remaining coverage for contracts under the PAA as the carrying amount of the liability for remaining coverage at the beginning of the period, adjusted for the following:

- Add the premiums received in the period;
- Less any insurance acquisition cash flows during the period not directly expensed;
- Add the amortization of acquisition cash flows, plus any adjustments to a financing component;
- Less the amount recognized as insurance revenue for the coverage provided in the period; and
- Less any investment components paid or transferred to the liability for incurred claims.

If circumstances indicate that a contract under the PAA model has become onerous, a loss is immediately recognized in the Consolidated Statements of Earnings, and a separate component of the liability for remaining coverage is created to record this loss component. The loss is measured as the difference between the fulfillment cash flows that relate to the remaining coverage of the group and the current carrying amount of the liability for remaining coverage using the measurement described above.

The liability for incurred claims is measured under the same approach as the GMM, which is the fulfillment cash flows related to incurred claims. When claims are expected to be settled less than one year after being incurred, the Company has elected not to discount the liability for incurred claims.

<u>**Measurement of Reinsurance Contracts Held**</u>

The General Measurement Model

The accounting policies used to measure a group of insurance contracts under the GMM apply to the measurement of a group of reinsurance contracts held, with the following modifications:

- The carrying amount of a group of reinsurance contracts held at each reporting date is the sum of the remaining coverage component and the incurred claims component. The remaining coverage component comprises:
  - The fulfillment cash flows that relate to services that will be received under the contracts in future periods; and
  - Any remaining CSM at that date.

The Company measures the estimates of the present value of future cash flows using assumptions that are consistent with those used to measure the estimates of the present value of future cash flows for the underlying insurance contracts, with an adjustment for any risk of non-performance by the reinsurer. The effect of the non-performance risk of the reinsurer is assessed at each reporting date and the effect of changes in the non-performance risk is recognized in the Consolidated Statements of Earnings.

The risk adjustment for non-financial risk is the amount of the risk transferred by the Company to the reinsurer.

On initial recognition, the CSM of a group of reinsurance contracts held represents a net cost or net gain on purchasing reinsurance. It is measured as the equal and opposite amount of the total of the fulfillment cash flows, any derecognized assets for cash flows occurring before the recognition of the group, any cash flows arising at that date and any income recognized in the Consolidated Statements of Earnings because of onerous underlying contracts recognized at that date. However, if any net cost on purchasing reinsurance coverage relates to insured events that occurred before the purchase of the group, then the Company recognizes the cost immediately in the Consolidated Statements of Earnings as an expense.

The Company adjusts the carrying amount of the CSM of a group of reinsurance contracts held at the end of a reporting period to reflect changes in the fulfillment cash flows applying the same approach as for insurance contracts issued, except when the underlying contract is onerous and the change in the fulfillment cash flows for underlying insurance contracts is recognized in profit or loss by adjusting the loss component. The respective changes in reinsurance contracts held is also recognized in profit and loss (adjusting the loss recovery component).

Funds withheld under reinsurance contracts held to manage credit risk are included in the carrying amount of the reinsurance contracts held asset.

The Premium Allocation Approach

The Company holds reinsurance contracts with the direct insurance contracts it issues. The reinsurance contracts held that are eligible for the PAA and have underlying direct contracts measured under the PAA are also classified and measured under the PAA.

Onerous Underlying Insurance Contracts

The Company adjusts the CSM of the group to which a reinsurance contract held belongs and as a result recognizes income when it recognizes a loss on initial recognition of onerous underlying contracts, if the reinsurance contract held is entered into before or at the same time as the onerous underlying contracts are recognized. The adjustment to the CSM is determined by multiplying:

- The amount of the loss that relates to the underlying contracts; and
- The percentage of claims on the underlying contracts that the Company expects to recover from the reinsurance contracts held.

For reinsurance contracts held that are acquired by the Company in a transfer of contracts or a business combination covering onerous underlying contracts, the adjustment to the CSM is determined by multiplying:

- The amount of the loss component that relates to the underlying contracts at the date of acquisition; and
- The percentage of claims on the underlying contracts that the Company expects at the date of acquisition to recover from the reinsurance contracts held.

A loss recovery component is created or adjusted for the group of reinsurance contracts held to depict the adjustment to the CSM, which determines the amounts that are subsequently presented in the consolidated Statements of Earnings as reversals of recoveries of losses from the reinsurance contracts held and are excluded from the allocation of reinsurance premiums paid in the net expense from reinsurance contracts held.

Coverage Units

Amortization of the Contractual Service Margin

The CSM is a component of the group of insurance contracts that represents the unearned profit the Company will recognize as it provides services in the future. An amount of the CSM for a group of insurance contracts is recognized in the Consolidated Statements of Earnings as insurance revenue in each period to reflect the services provided under the group of insurance contracts in that period. The amount that is recognized in the Consolidated Statements of Earnings for the current period is determined by identifying the coverage units in the group, allocating the CSM at the end of the period to each coverage unit provided in the current period and expected to be provided in the future periods.

The number of coverage units in a group is the quantity of coverage provided by the contracts in the group, which is determined by considering the quantity of the benefits provided and the expected coverage duration.

For reinsurance contracts issued, the number of coverage units in a group reflects the expected pattern of underwriting of the underlying contracts because the level of service provided depends on the number of underlying contracts in force.

For reinsurance contracts held, the CSM amortization is similar to the reinsurance contracts issued and reflects the expected pattern of underwriting of the underlying contracts because the level of service provided depends on the number of underlying contracts in-force.

Insurance Revenue

The Company's insurance revenue depicts the provision of services arising from a group of insurance contracts at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services. Insurance revenue from a group of insurance contracts is therefore the relevant portion for the period of the total consideration for the contracts, (i.e., the amount of premiums paid to the Company adjusted for financing effect (the time value of money) and excluding any investment components).

<u>Insurance Finance Income or Expenses</u>

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

- The effect of the time value of money and changes in the time value of money
- The effect of financial risk and changes in financial risk

The Company has elected to recognize insurance finance income or expenses in the Consolidated Statements of Earnings.

<u>Net Income or Expense from Reinsurance Contracts Held</u>

The Company presents separately in the Consolidated Statements of Earnings the amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid. The Company treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held, and excludes investment components and commissions from an allocation of reinsurance premiums presented in the Consolidated Statements of Earnings. Amounts relating to the recovery of losses relating to reinsurance of onerous direct contracts are included as amounts recoverable from the reinsurer.

<u>Contract Modifications and Derecognition</u>

Contract Modifications

When the terms of insurance contracts are modified, the Company assesses whether the modification is substantial enough to lead to the derecognition of the original contract and recognition of a new modified contract as if it was entered for the first time. If the contract modification does not lead to a re-recognition of the contract, then the effect of the modification is treated as a change in the estimates of fulfillment cash flows which is recorded as an experience adjustment to the existing contract.

Derecognition of Contracts

The Company derecognizes a contract when it is extinguished, which is when the specified obligations in the contract expire or are discharged or cancelled.

When an insurance contract not accounted for under the PAA is derecognized from within a group of insurance contracts:

- The fulfillment cash flows allocated to the group are adjusted to eliminate those that relate to the rights and obligations derecognized;
- The CSM of the group is adjusted for the change in the fulfillment cash flows, except where such changes are allocated to a loss component; and
- The number of coverage units for the expected remaining coverage is adjusted to reflect the coverage units derecognized from the group.

If a contract is derecognized because it is transferred to a third party, then the CSM is also adjusted for the premium charged by the third party, unless the group is onerous.

When an insurance contract accounted for under the PAA is derecognized, adjustments to the fulfillment cash flows to remove related rights and obligations and account for the effect of the derecognition result in the following amounts being charged immediately to the Consolidated Statements of Earnings:

- If the contract is extinguished, any net difference between the derecognized part of the liability for remaining coverage of the original contract and any other cash flows arising from extinguishment; and
- If the contract is transferred to the third party, any difference between the derecognized part of the liability for remaining coverage of the original contract and the premium charged by the third party.

Other Changes in Accounting Policies

The Company adopted the amendments to IFRS for IAS 1, *Presentation of Financial Statements,* IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* and IAS 12, *Income Taxes* effective January 1, 2023. The adoption of these amendments did not have a material impact on the Company’s financial statements.

Use of Significant Judgments, Estimates and Assumptions - Application of IFRS 17 and IFRS 9

In preparation of these financial statements, management is required to make significant judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, net earnings and related disclosures. Although some uncertainty is inherent in these judgments and estimates, management believes that the amounts recorded are reasonable. Key sources of estimation uncertainty and areas where significant judgments have been made are further described in the relevant accounting policies as described in note 2 of the Company's December 31, 2022 consolidated annual audited financial statements and notes thereto. Significant judgments, estimates and assumptions that have changed or are new under IFRS 17 and IFRS 9 include:

- Management uses judgment to evaluate the classification of insurance and reinsurance contracts to determine whether these arrangements should be accounted for as insurance, investment or service contracts.
- The actuarial assumptions, such as mortality, longevity, morbidity, expense and policyholder behaviour, used in the valuation of insurance and certain investment contract liabilities require significant judgment and estimation (note 10).
- Management uses judgment in determining the coverage units which are based on an estimate of the quantity of coverage provided by the contracts in a group, considering the quantity of benefits provided and the expected coverage duration.
- In determining discount rates to apply to most insurance contract liability cash flows, the Company generally uses the top-down approach for cash flows of non-participating contracts that do not depend on underlying items. Applying this approach, the Company uses the yield curve implied in a reference portfolio of assets and adjusts it to exclude the effects of risks (e.g. credit risk) present in the cash flows from the financial instruments that are part of the reference portfolio, but not in the insurance cash flows. One of the key sources of estimation uncertainty is estimating the market risk premiums for credit risk of the underlying items that are only relevant to assets included in the reference portfolio, but not to the non-participating contracts. For some products, discount rates are set using a bottom-up approach, based on risk-free rates, plus an illiquidity premium, which also requires judgment.

The Company applies the following rates to discount cash flows by major currency:

	Year 1				Year 5				Year 10				Year 15				Year 20			
	Mar. 31 2023		Dec. 31 2022		**Mar. 31 2023**		Dec. 31 2022		**Mar. 31 2023**		Dec. 31 2022		**Mar. 31 2023**		Dec. 31 2022		**Mar. 31 2023**		Dec. 31 2022	
	Min	**Max**	Min	Max	**Min**	**Max**	Min	Max	**Min**	**Max**	Min	Max	**Min**	**Max**	Min	Max	**Min**	**Max**	Min	Max
Insurance Contracts Issued																				
CAD	**5.8%**	**6.2%**	6.0%	6.3%	**4.1%**	**4.4%**	4.4%	4.8%	**4.7%**	**5.1%**	5.0%	5.3%	**5.3%**	**5.7%**	5.2%	5.5%	**5.1%**	**5.5%**	5.0%	5.3%
USD	**5.7%**	**5.9%**	5.8%	6.0%	**4.2%**	**4.3%**	4.7%	4.9%	**4.4%**	**4.6%**	5.2%	5.3%	**5.1%**	**5.2%**	5.4%	5.5%	**6.8%**	**7.0%**	7.0%	7.2%
EUR	**3.0%**	**4.6%**	2.5%	4.1%	**2.3%**	**3.9%**	2.8%	4.4%	**2.8%**	**4.4%**	3.0%	4.6%	**3.2%**	**4.8%**	3.2%	4.8%	**2.6%**	**4.2%**	2.6%	4.2%
GBP	**4.4%**	**6.1%**	4.0%	5.6%	**3.6%**	**5.3%**	4.1%	5.7%	**4.5%**	**6.2%**	4.8%	6.4%	**5.3%**	**7.0%**	5.5%	7.0%	**4.9%**	**6.6%**	4.9%	6.4%
Reinsurance Contracts Issued																				
CAD	**4.6%**	**6.2%**	4.9%	6.3%	**2.9%**	**4.4%**	3.3%	4.8%	**3.5%**	**5.0%**	3.8%	5.3%	**4.1%**	**5.7%**	4.0%	5.5%	**3.9%**	**5.5%**	3.9%	5.3%
USD	**5.6%**	**6.3%**	5.8%	6.4%	**4.1%**	**4.8%**	4.7%	5.3%	**4.3%**	**5.0%**	5.1%	5.7%	**5.0%**	**5.6%**	5.3%	5.9%	**6.7%**	**7.4%**	7.0%	7.6%
EUR	**3.0%**	**4.6%**	2.5%	4.2%	**2.3%**	**3.9%**	2.8%	4.5%	**2.8%**	**4.4%**	3.0%	4.7%	**3.2%**	**4.8%**	3.2%	4.9%	**2.6%**	**4.2%**	2.6%	4.3%
GBP	**4.4%**	**5.8%**	4.0%	5.3%	**3.6%**	**5.0%**	4.1%	5.4%	**4.5%**	**5.8%**	4.8%	6.1%	**5.3%**	**6.6%**	5.5%	6.7%	**4.9%**	**6.2%**	4.9%	6.1%

The forward rates in the table above are calculated based on prevailing interest rates observed in their respective markets. When interest rates are not observable, the yield curve to discount cash flows transitions to an ultimate rate composed of a risk-free rate and illiquidity premium. These amounts are set based on historical data.

- When determining risk adjustment, the Company applies significant judgment in estimating the probability distribution of each non-financial risk and the diversification matrix to derive confidence level.
- The determination of whether a contract or a group of contracts is onerous is based on the expectations as at the date of initial recognition, with fulfillment cash flow expectations determined on a probability-weighted basis. The Company determines the appropriate level at which reasonable and supportable information is available to make this assessment. The Company applies judgment in determining at what level of granularity the Company has sufficient information to conclude that all contracts within a set will be in the same group.
- For contracts issued more than several years prior to the IFRS 17 effective date, the Company applied significant judgment in determining that obtaining reasonable and supportable information to apply the full retrospective approach was impracticable without undue cost or effort.
- The measurement of impairment losses under IFRS 9 across relevant financial assets requires judgment, in particular for the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk.

Future Accounting Policies

The Company actively monitors changes in IFRS, both proposed and released, by the IASB for potential impact on the Company. There have been no new standards released or significant changes to the future accounting policies disclosed in the December 31, 2022 consolidated annual audited financial statements.

3. Transition to IFRS 17 and IFRS 9 - Transition Impacts

IFRS 17

IFRS 17 introduces significant changes to the presentation of the Company's financial statements. Portfolios of insurance contracts issued, and reinsurance contracts held that are assets and liabilities are respectively presented separately.

IFRS 17 also introduces significant measurement differences, including the following:

- Reclassification of contracts from insurance to investment contracts;
- Establishment of the CSM for in-force policies;
- Net impact of removing margin for adverse deviations (mfads) and establishing a risk adjustment for non-financial risk;
- Adjustment for difference in discount rates;
- Adjustment for non-attributable expenses; and
- Other measurement impacts.

Upon transition, IFRS 17 requires an entity to apply the standard retrospectively unless impracticable, in which case the entity shall use either the modified retrospective approach or the fair value approach.

The full retrospective approach requires the Company to apply the guidance of IFRS 17 as if IFRS 17 had always been applied. It would be considered impracticable in the following situations:

- The necessary level of detail for historical information could not be obtained using a reasonable amount of effort; or
- Estimates required for measurement at the appropriate level of detail could not be determined without the use of hindsight and/or professional judgment could not be applied to such estimates in accordance with the requirements of IFRS 17 or the Company's interpretations and established policies.

The Company has performed a cut-off date assessment (by region and product) to determine the contracts to which the full retrospective approach can be applied. The Company applies the full retrospective approach to all identified insurance contracts unless it is impracticable, where reasonable and supportable information necessary to complete the full retrospective approach is not available.

The fair value approach calculates the CSM or loss component of the liability for remaining coverage as the difference between the fair value of a group of insurance contracts at the date of transition and the fulfillment cash flows measured at that date. The Company has applied the fair value approach to contracts where it was impracticable to apply the full retrospective approach.

IFRS 9

IFRS 9 introduces changes to the classification and measurement of financial instruments as well as the transition from an incurred loss model under IAS 39 to an ECL model for the determination of allowances for credit losses.

Upon adoption of IFRS 9, the Company elected to present comparative information for its financial assets as if the classification and measurement requirements of IFRS 9 had been applied in the comparative period, as permitted by the amendment to IFRS 17 published by the IASB in December 2021.

The resulting changes in accounting policies from the adoption of these standards had an impact on the Company's opening equity balances.

The quantitative impact of transitioning to IFRS 17 and IFRS 9 is illustrated in the opening balance sheet reconciliation table below:

Balance Sheet Condensed View	As Reported IFRS 4 IAS 39 Dec. 31, 2021	Asset / Liability Reclassification	IFRS 9 Overlay Measurement	IFRS 17 Measurement	Income Tax	Restated IFRS 17 & 9 Balance Sheet Jan. 1, 2022
Assets						
Bonds	$ 140,612	$ —	$ 2,043	$ —	$ —	$ 142,655
Mortgage loans	28,852	—	505	—	—	29,357
Stocks	14,183	16	26	—	—	14,225
Insurance contract assets	—	1,533	—	—	—	1,533
Other assets impacted by IFRS 17 & 9	67,677	(18,723)	—	697	269	49,920
Other assets not impacted by IFRS 17 & 9	21,745	—	—	—	—	21,745
Investments on account of segregated fund policyholders	357,419	—	—	—	—	357,419
Total assets	**$ 630,488**	**$ (17,174)**	**$ 2,574**	**$ 697**	**$ 269**	**$ 616,854**
Liabilities						
Insurance contract liabilities	$ 208,378	$ (57,284)	$ —	$ 6,816	$ —	$ 157,910
Investment contract liabilities	12,455	41,239	—	—	—	53,694
Reinsurance contract held liabilities	—	1,290				1,290
Other liabilities impacted by IFRS 17 & 9	11,726	(1,874)	—	—	(413)	9,439
Other liabilities not impacted by IFRS 17 & 9	10,027	—	—	—	—	10,027
Investments and insurance contracts on account of segregated fund policyholders	357,419	(357,419)	—	—	—	—
Insurance contracts on account of segregated fund policyholders	—	65,253	—	—	—	65,253
Investment contracts on account of segregated fund policyholders	—	292,166	—	—	—	292,166
Total liabilities	**600,005**	**(16,629)**	**—**	**6,816**	**(413)**	**589,779**
Total equity	**30,483**	**(545)**	**2,574**	**(6,119)**	**682**	**27,075**
Total liabilities and equity	**$ 630,488**	**$ (17,174)**	**$ 2,574**	**$ 697**	**$ 269**	**$ 616,854**

The adoption of IFRS 17 and the IFRS 9 overlay resulted in an overall reduction to total assets of $13.6 billion, total liabilities of $10.2 billion, and total equity of $3.4 billion on the transition balance sheet as at January 1, 2022.

Asset and liability reclassifications were driven by changes to the groupings of certain assets and liabilities. Significant reclassifications included $8.3 billion of loans to policyholders, $7.9 billion of funds held by ceding insurers, and $1.9 billion of premiums in the course of collection reclassified to insurance contract liabilities. In addition, $40.5 billion of insurance contract liabilities were reclassified to investment contract liabilities, and insurance contract assets of $1.5 billion and reinsurance contract held liabilities of $1.3 billion were established.

The presentation of liabilities on account of segregated fund policyholders was separated between insurance and investment contract liabilities.

IFRS 9 adjustments primarily resulted in an increase to total assets of $2.6 billion due to a change in designation of certain bonds and mortgages held at amortized cost under IAS 39 to FVTPL under IFRS 9.

IFRS 17 adjustments mainly resulted in an increase to insurance contract liabilities of $6.8 billion, which is primarily the result of the establishment of CSM for in-force contracts of $5.9 billion associated with the shareholders' account and $2.6 billion associated with the participating account, partially offset by the transition of risk adjustments from IFRS 4 to IFRS 17 of $2.0 billion. This does not include the CSM on in-force segregated fund business which does not have a material impact on capital.

Total equity decreased by $3.4 billion, split $3.1 billion for the shareholders' account accumulated surplus, $0.2 billion for the participating account surplus, and $0.1 billion for accumulated other comprehensive income.

Shareholders’ account accumulated surplus decreased by $3.1 billion primarily due to the establishment of the CSM of $6.3 billion and the adjustment for differences in the discount rate of $1.9 billion, offset by increases due to the transition of risk adjustments from IFRS 4 to IFRS 17 of $2.0 billion and the impact of the initial application of the IFRS 9 overlay of $2.2 billion. All other impacts, including taxes, adjustments for non-attributable expenses and from reclassifications totaled an increase of $0.9 billion.

The participating account surplus decrease of $0.2 billion was due to the impact of the initial application of IFRS 17 of $0.7 billion offset by the impact of the application of the IFRS 9 overlay of $0.5 billion.

Accumulated other comprehensive income decreased by $0.1 billion due to the impact of the application of the IFRS 9 overlay.

Reconciliation of consolidated net earnings from IFRS 4 and IAS 39 to IFRS 17 and 9 overlay

		For the year ended December 31, 2022
Net earnings under IFRS 4 and IAS 39, previously reported	**$**	**3,219**
Impact of initial application of IFRS 17 and IFRS 9 overlay:		
Deferral of new business gains within CSM		**(170)**
CSM recognized in the period, net of impact of changes in liabilities for insurance related risks		**157**
Changes in impacts from assumption changes and management actions		**(131)**
Changes in market-related impacts		**653**
Other, including changes in insurance experience impacts		**152**
Tax impacts		**(284)**
Restated net earnings under IFRS 17 and IFRS 9 overlay	**$**	**3,596**

CSM movement by measurement component upon transition

Insurance contracts		
Insurance contracts under fair value approach		
CSM beginning balance, as at January 1, 2022	**$**	**10,197**
Change related to current service provided		
CSM recognized for services provided		**(947)**
Changes that relate to future service		
Changes in estimates that adjust the CSM		**917**
Total changes in insurance service result		**(30)**
Net finance expenses from insurance contracts		**64**
Effect of movement in exchanges rates		**54**
Impact of acquisitions/dispositions		**294**
Total change	**$**	**382**
Other insurance contracts		
CSM beginning balance, as at January 1, 2022	**$**	**2,859**
Change related to current service provided		
CSM recognized for services provided		**(222)**
Changes that relate to future service		
Contracts initially recognized in the year		**766**
Changes in estimates that adjust the CSM		**152**
Total changes in insurance service result		**696**
Net finance expenses from insurance contracts		**52**
Effect of movement in exchanges rates		**(52)**
Total change	**$**	**696**
Net closing balance, as at December 31, 2022	**$**	**14,134**

3. Transition to IFRS 17 and IFRS 9 - Transition Impacts (cont'd)

Reinsurance contracts held		
Reinsurance contracts held under fair value approach		
CSM beginning balance, as at January 1, 2022	$	938
Change related to current service provided		
CSM recognized for services provided		(82)
Changes that relate to future service		
Contracts initially recognized in the year		3
Changes in estimates that adjust the CSM		11
Total changes in insurance service result		(68)
Net finance expenses from reinsurance contracts		21
Total change	$	(47)
Other reinsurance contracts held		
CSM beginning balance, as at January 1, 2022	$	137
Change related to current service provided		
CSM recognized for services provided		(13)
Changes that relate to future service		
Contracts initially recognized in the year		50
Changes in estimates that adjust the CSM		(53)
Total changes in insurance service result		(16)
Net finance expenses from insurance contracts		(1)
Total change	$	(17)
Net closing balance, as at December 31, 2022	$	1,011

Transition to IFRS 9

Effect of initial application - IFRS 9 Assets

The following table shows the reconciliation of each class of financial asset from the original measurement category under IAS 39 to the new measurement category under IFRS 9:

	Classification	
	IAS 39	**IFRS 9**
Financial Assets		
Bonds		
	FVTPL (designated)	FVTPL (designated)
	FVTPL (classified)	FVTPL (mandatory)
	Available-for-Sale (AFS)	FVTPL (mandatory)
	AFS	FVOCI
	Loans & Receivables (L&R)	FVTPL (designated)
	L&R	FVOCI
	L&R	Amortized Cost
Mortgage loans		
	FVTPL (designated)	FVTPL (mandatory)
	AFS	FVTPL (mandatory)
	L&R	FVTPL (designated)
	L&R	FVOCI
	L&R	Amortized Cost
Stocks		
	FVTPL (designated)	FVTPL (mandatory)
	AFS	FVTPL (mandatory)
	AFS, at cost	FVTPL (mandatory)

Reconciliation of carrying value of assets from IAS 39 to IFRS 9

The following table reconciles the carrying value of financial assets under IAS 39 to the carrying value under IFRS 9:

	IAS 39 December 31, 2022	Reclassification	Remeasurement	IFRS 9 January 1, 2023
FVTPL				
Bonds				
Designated	$ 113,596	$ —	$ —	$ 113,596
Reclassified from loans and receivables	—	33,570	(3,480)	30,090
Total - designated	113,596	33,570	(3,480)	143,686
Mandatory	181	—	—	181
Reclassified from available-for-sale	—	67	—	67
Total - mandatory	181	67	—	248
Mortgage loans				
Designated	3,125	(3,125)	—	—
Reclassified from loans and receivables	—	31,310	(2,297)	29,013
Total - designated	3,125	28,185	(2,297)	29,013
Reclassified from Designated FVTPL	—	3,125	6	3,131
Reclassified from available-for-sale	—	240	—	240
Total - mandatory	—	3,365	6	3,371
Stocks				
Reclassified from Designated FVTPL	13,305	—	16	13,321
Reclassified from available-for-sale	—	325	17	342
Total - mandatory	13,305	325	33	13,663
Total FVTPL	$ 130,207	$ 65,512	$ (5,738)	$ 189,981
FVOCI				
Bonds				
Reclassified from available-for-sale	$ —	$ 11,797	$ —	$ 11,797
Reclassified from loans and receivables	—	376	(16)	360
	—	12,173	(16)	12,157
Mortgage loans				
Reclassified from loans and receivables	—	662	(41)	621
Total FVOCI	$ —	$ 12,835	$ (57)	$ 12,778

	IAS 39 December 31, 2022	Reclassification	Remeasurement	IFRS 9 January 1, 2023
Available-for-sale				
Bonds				
Brought forward	$ 11,864	$ —	$ —	
Reclassified to FVTPL	—	(67)	—	
Reclassified to FVOCI	—	(11,797)	—	
	11,864	(11,864)	—	—
Mortgage loans				
Brought forward	240	—	—	
Reclassified to FVTPL	—	(240)	—	
	240	(240)	—	—
Stocks				
Brought forward	325	—	—	
Reclassified to FVTPL	—	(325)	—	
	325	(325)	—	—
Total Available-for-sale	$ 12,429	$ (12,429)	$ —	$ —
Amortized Cost				
Bonds				
Brought forward: Loans and receivables	$ 33,946	$ —	$ —	
Reclassified to FVTPL	—	(33,570)	—	
Reclassified to FVOCI	—	(376)	—	
	33,946	(33,946)	—	—
Mortgage Loans				
Brought forward: Loans and receivables	36,164	—	—	
Reclassified to FVTPL	—	(31,310)	—	
Reclassified to FVOCI	—	(662)	—	
	36,164	(31,972)	—	4,192
Total amortized cost	$ 70,110	$ (65,918)	$ —	$ 4,192

Allowance for credit losses

The majority of the Company's financial assets are measured at FVTPL and therefore are not subject to the ECL model. The ECL model only applies to FVOCI and amortized cost assets, and the value of ECL allowances upon adoption of IFRS 9 at January 1, 2023 of $36 are not materially different from the allowances that were carried under IAS 39. Of the ECL allowance of $36 at January 1, 2023, $4 was Stage 1 and $32 was Stage 2.

The ECL allowance was $35 at March 31, 2023, of which $4 was Stage 1 and $31 was Stage 2.

4. Business Acquisition and Other Transaction

Subsequent Events

(a) Acquisition of Investment Planning Counsel

On April 3, 2023, the Company announced that Canada Life had reached an agreement to acquire Investment Planning Counsel Inc., a leading independent wealth management firm, from IGM Financial Inc. (IGM) for total cash consideration of $575, subject to adjustments. The acquisition extends Canada Life's wealth management reach and capabilities. IGM is an affiliated company and a member of the Power Corporation group of companies. Therefore, the transaction was reviewed and approved by the Conduct Review Committee of each of the Company and Canada Life. The transaction is expected to close in the fourth quarter of 2023, subject to regulatory and customary closing conditions.

(b) Debentures and Other Debt Instruments

On April 18, 2023, the Company repaid the principal amount of its maturing 2.50% €500 senior bonds, together with accrued interest.

5. Portfolio Investments

(a) Carrying values and estimated fair values of portfolio investments are as follows:

	March 31, 2023		December 31, 2022 [1]	
	Carrying value	**Fair value**	Carrying value	Fair value
Bonds				
FVTPL - designated	**$ 145,268**	**$ 145,268**	$ 143,686	$ 143,686
FVTPL - mandatory	**150**	**150**	248	248
FVOCI	**12,834**	**12,834**	12,157	12,157
	158,252	**158,252**	156,091	156,091
Mortgage loans				
FVTPL - designated	**29,056**	**29,056**	29,013	29,013
FVTPL - mandatory	**3,654**	**3,654**	3,371	3,371
FVOCI	**599**	**599**	621	621
Amortized cost	**4,334**	**3,758**	4,192	3,577
	37,643	**37,067**	37,197	36,582
Stocks				
FVTPL - mandatory	**14,593**	**14,593**	13,663	13,663
Equity method	**716**	**709**	638	610
	15,309	**15,302**	14,301	14,273
Investment properties	**8,328**	**8,328**	8,344	8,344
Total	**$ 219,532**	**$ 218,949**	$ 215,933	$ 215,290

[1] Represents application of IFRS 9 overlay.

(b) Net investment income comprises the following:

For the three months ended March 31, 2023	**Bonds**	**Mortgage loans**	**Stocks**	**Investment properties**	**Other**	**Total**
Net investment income:						
Investment income earned	**$ 1,580**	**$ 345**	**$ 107**	**$ 120**	**$ 80**	**$ 2,232**
Net realized gains (losses) on sale of FVOCI assets	**(36)**	**—**	**—**	**—**	**—**	**(36)**
Net expected credit loss recovery (charge)	**—**	**1**	**—**	**—**	**—**	**1**
Other income and expenses	**—**	**—**	**—**	**(46)**	**(45)**	**(91)**
	1,544	**346**	**107**	**74**	**35**	**2,106**
Changes in fair value on fair value through profit or loss assets:						
Fair value through profit or loss (designated)	**2,849**	**359**	**—**	**—**	**125**	**3,333**
Fair value through profit or loss (mandatory)	**—**	**89**	**291**	**—**	**—**	**380**
Recorded at fair value through profit or loss	**—**	**—**	**—**	**(140)**	**—**	**(140)**
	2,849	**448**	**291**	**(140)**	**125**	**3,573**
Total	**$ 4,393**	**$ 794**	**$ 398**	**$ (66)**	**$ 160**	**$ 5,679**

For the three months ended March 31, 2022 [1]	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Net investment income:						
Investment income earned	$ 1,052	$ 232	$ 87	$ 109	$ 96	$ 1,576
Net realized gains (losses) on sale of FVOCI assets	(12)	—	—	—	—	(12)
Gains (losses) on sale of amortized cost assets	—	8	—	—	—	8
Other income and expenses	—	—	—	(39)	(52)	(91)
	1,040	240	87	70	44	1,481
Changes in fair value on fair value through profit or loss assets:						
Fair value through profit or loss (designated)	(10,101)	(1,114)	—	—	(581)	(11,796)
Fair value through profit or loss (mandatory)	—	(224)	402	—	—	178
Recorded at fair value through profit or loss	—	—	—	320	—	320
	(10,101)	(1,338)	402	320	(581)	(11,298)
Total	$ (9,061)	$ (1,098)	$ 489	$ 390	$ (537)	$ (9,817)

[1] Represents application of IFRS 9 overlay.

Investment income from bonds and mortgages includes interest income, and premium and discount amortization. Investment income from stocks includes dividends, distributions from private equity and equity income from the investment in IGM. Investment properties income includes rental income earned on investment properties, ground rent income earned on leased and sub-leased land, fee recoveries, lease cancellation income, and interest and other investment income earned on investment properties. Other investment income includes foreign exchange gains and losses, income earned from derivative financial instruments and other miscellaneous income.

(c) Net investment result

	For the three months ended March 31	
	2023	2022
Investment return		
Net investment income	**$ 2,106**	$ 1,481
Changes in fair value on FVTPL assets	**3,573**	(11,298)
Total investment return	**$ 5,679**	$ (9,817)
Net finance expenses from insurance contracts		
Changes in fair value of underlying items of direct participating contracts	**$ (1,425)**	$ 1,588
Effects of risk mitigation option	**(25)**	125
Interest accreted	**(730)**	(547)
Effect of changes in discount rate and other financial assumptions	**(1,397)**	7,076
Effect of measuring changes in estimates at current rates and adjusting the CSM at rates on initial recognition	**7**	(15)
Total net finance expenses from insurance contracts	**$ (3,570)**	$ 8,227
Net finance income from reinsurance contracts		
Interest accreted	**$ 5**	$ 101
Other	**88**	(554)
Net finance income from reinsurance contracts	**93**	(453)
Effect of change in non-performance risk of reinsurers	**—**	—
Total net finance income from reinsurance contracts in the Consolidated Statements of Earnings	**93**	(453)
Changes in investment contract liabilities	**(1,882)**	3,190
	$ 320	$ 1,147

6. Financial Instruments Risk Management

The Company has policies relating to the identification, measurement, management, monitoring and reporting of risks associated with financial instruments. The key risks related to financial instruments are credit risk, liquidity risk and market risk (currency, interest rate and equity). The Risk Committee of the Board of Directors is responsible for the oversight of the Company's key risks. The Company's approach to risk management has not substantially changed from that described in the Company's consolidated annual audited financial statements for the year ended December 31, 2022. Certain risks have been outlined below. For a discussion of the Company's risk governance structure and risk management approach, see the "Financial Instruments Risk Management" note in the Company's December 31, 2022 consolidated annual audited financial statements.

The Company has also established policies and procedures designed to identify, measure and report all material risks. Management is responsible for establishing capital management procedures for implementing and monitoring the capital plan. The Board of Directors reviews and approves all capital transactions undertaken by management.

(a) Credit Risk

Credit risk is the risk of loss resulting from an obligor's potential inability or unwillingness to fully meet its contractual obligations.

Concentration of Credit Risk

Concentrations of credit risk arise from exposures to a single obligor, a group of related obligors or groups of obligors that have similar credit risk characteristics and operate in the same geographic region or in similar industries. The characteristics are similar in that changes in economic or political environments may impact their ability to meet obligations as they come due. No significant changes have occurred from the year ended December 31, 2022.

(b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet all cash outflow obligations as they come due. The following policies and procedures are in place to manage this risk:

- The Company closely manages operating liquidity through cash flow matching of assets and liabilities and forecasting earned and required yields, to ensure consistency between policyholder requirements and the yield of assets.
- Management closely monitors the solvency and capital positions of its principal subsidiaries opposite liquidity requirements at the holding company. Additional liquidity is available through established lines of credit or via capital market transactions. The Company maintains committed lines of credit with Canadian chartered banks.

(c) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument and the value of insurance and investment contract liabilities will fluctuate as a result of changes in market factors which include three types: currency risk, interest rate (including related inflation) risk and equity risk.

Caution Related to Risk Sensitivities

These financial statements include estimates of sensitivities and risk exposure measures for certain risks, such as the sensitivity due to specific changes in interest rate levels projected and market prices as at the valuation date. Actual results can differ significantly from these estimates for a variety of reasons including, but not limited to, changes in the Company's asset or liability profile, changes in business mix, effective income tax rates, other market factors, differences in the actual exposure relative to broad market indices, variation in exposures by geography, and general limitations of the Company's internal models.

For these reasons, the sensitivities should only be viewed as directional estimates of the underlying sensitivities for the respective factors. Given the nature of these calculations, the Company cannot provide assurance that the actual impact on net earnings will be as indicated.

(i) Currency Risk

Currency risk relates to the Company operating and holding financial instruments in different currencies. For the assets backing insurance and investment contract liabilities that are not matched by currency, changes in foreign exchange rates can expose the Company to the risk of foreign exchange losses not offset by liability decreases.

- A 10% weakening of the Canadian dollar against foreign currencies would be expected to increase non-participating insurance and investment contract liabilities and their supporting assets by approximately the same amount resulting in an immaterial immediate change to net earnings. A 10% strengthening of the Canadian dollar against foreign currencies would be expected to decrease non-participating insurance and investment contract liabilities and their supporting assets by approximately the same amount resulting in an immaterial immediate change in net earnings.

The Company has net investments in foreign operations. The Company's debt obligations are denominated in Canadian dollars, euros and U.S. dollars. In accordance with IFRS, foreign currency translation gains and losses from net investments in foreign operations, net of related hedging activities and tax effects, are recorded in accumulated other comprehensive income. Strengthening or weakening of the Canadian dollar spot rate compared to the U.S. dollar, British pound and euro spot rates impacts the Company's total equity. Correspondingly, the Company's book value per share and capital ratios monitored by rating agencies are also impacted.

(ii) Interest Rate Risk

Interest rate risk exists if asset and liability cash flows are not closely matched and interest rates change, causing a difference in the value of assets and the value of liabilities. The following policies and procedures are in place to mitigate the Company's exposure to interest rate risk:

- Interest rate risk is managed by investing in assets that are suitable for the products sold.
- The Company utilizes a formal process for managing the matching of assets and liabilities. This involves grouping general fund assets and liabilities into segments. Assets in each segment are managed in relation to the liabilities in the segment.
- For products with fixed and highly predictable benefit payments, investments are generally made in fixed income assets or investment properties whose cash flows closely match the liability product cash flows. Where assets are not available to match certain period cash flows, such as long-tail cash flows, a portion of the assets are invested in equities and other non-fixed income assets, while the rest are duration matched.

- Hedging instruments are employed when there is a lack of suitable permanent investments or to manage the level of loss exposure to interest rate changes.
- To the extent asset and liability cash flows are matched, protection against interest rate change is achieved and any change in the fair value of the assets will be offset by a similar change in the fair value of the liabilities.
- For products with less predictable timing of benefit payments, investments are made in fixed income assets with cash flows of a shorter duration than the anticipated timing of benefit payments, or in equities and other non-fixed income assets.
- The risk associated with the mismatch in portfolio duration and cash flow, asset prepayment exposure and the pace of asset acquisition are quantified and reviewed regularly.

The impact to net earnings from changes in the interest rates would be largely offset by changes in the value of financial assets supporting the liabilities. However, differences in the interest rate sensitivity in the value of assets and the value of insurance and investment contract liabilities leads to a sensitivity to interest rate movements in net earnings under IFRS 17 and IFRS 9.

The Company's asset liability management strategy uses equities and other non-fixed income assets as a component of general fund assets supporting liabilities, which leads to interest rate exposure in the net earnings. Further, the classification of financial assets under IFRS 9, such as mortgage assets which are valued at amortized cost and held in the general fund assets supporting liabilities, also contributes to interest rate exposure in net earnings.

The immediate impact to net earnings from an immediate parallel 50 basis point increase or decrease in interest rates is illustrated in the table below:

Change in market yield curves

	Net Earnings	
	Increase 50 basis points interest rates	**Decrease 50 basis points interest rates**
March 31, 2023	**$ 100**	**$ (150)**
December 31, 2022	$ 75	$ (125)

Interest rate sensitivities vary by geography. Net earnings are positively impacted by rising rates in Canada and the UK, and are positively impacted by falling rates in the eurozone.

The potential impact on shareholders' net earnings of the Company does not take into account any future potential changes to the Company's ultimate investment rate (UIR) assumptions. As at December 31, 2022, the sensitivity of shareholders' net earnings of the Company to a 10 basis point increase or decrease in the UIR in all geographies would be an increase of $25 or a decrease of $25 post-tax, respectively.

(iii) Equity Risk

Equity risk is the uncertainty associated with the valuation of assets and liabilities arising from changes in equity markets and other pricing risk. To mitigate this risk, the Company has investment policy guidelines in place that provide for prudent investment in equity markets within clearly defined limits. The risks associated with segregated fund guarantees on lifetime Guaranteed Minimum Withdrawal Benefits have been mitigated through a hedging program using equity futures, currency forwards, and interest rate derivatives.

Some insurance and investment contract liabilities with long-tail cash flows are supported by publicly traded common stocks and investments in other non-fixed income assets, primarily comprised of investment properties, real estate funds, private stocks, and equity release mortgages. Net earnings will reflect changes in the values of non-fixed income assets. However, in most cases the value of the liabilities will not fluctuate with changes in the value of the non-fixed income assets.

The liabilities for segregated fund products with guarantees will fluctuate with changes in the value of the non-fixed income assets. Under current market conditions, there are no earnings impacts to the Company on segregated fund business that it does not hedge, as changes in the cost of guarantees are fully offset within the CSM. For segregated fund business that the Company hedges, there is a limited earnings impact with respect to the change in liability versus the change in hedge assets.

The following table provides information on the expected immediate impacts of an immediate 10% or 20% increase or decrease in the value of publicly traded common stocks on the shareholders' net earnings.

Change in publicly traded common stock values

	Net Earnings			
	20% increase	10% increase	10% decrease	20% decrease
March 31, 2023	**$ 200**	**$ 100**	**$ (125)**	**$ (250)**
December 31, 2022	$ 200	$ 100	$ (125)	$ (225)

The following table provides information on the expected impacts of an immediate 5% or 10% increase or decrease in the value of other non-fixed income assets on the shareholders' net earnings.

Change in other non-fixed income asset values

	Net Earnings			
	10% increase	5% increase	5% decrease	10% decrease
March 31, 2023	**$ 400**	**$ 200**	**$ (200)**	**$ (425)**
December 31, 2022	$ 400	$ 200	$ (200)	$ (425)

7. Fair Value Measurement

The Company's assets and liabilities recorded at fair value have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access. Assets and liabilities utilizing Level 1 inputs include actively exchange-traded equity securities, exchange-traded futures, and mutual and segregated funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, government and agency securities, restricted stock, some private bonds and investment funds, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans. Investment contracts that are measured at fair value through profit or loss are mostly included in the Level 2 category.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds, certain asset-backed securities, some private equities, investments in mutual and segregated funds where there are redemption restrictions, certain over-the-counter derivatives, investment properties and equity release mortgages.

The following presents the Company's assets and liabilities measured at fair value on a recurring basis by hierarchy level:

	March 31, 2023			
Assets measured at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 6,666	$ —	$ —	$ 6,666
Financial assets at fair value through profit or loss				
Bonds	—	145,193	225	145,418
Mortgage loans	—	29,056	3,654	32,710
Stocks	11,308	111	3,174	14,593
Total financial assets at fair value through profit or loss	11,308	174,360	7,053	192,721
Financial assets at fair value through other comprehensive income				
Bonds	—	12,834	—	12,834
Mortgage loans	—	599	—	599
Total financial assets at fair value through other comprehensive income	—	13,433	—	13,433
Investment properties	—	—	8,328	8,328
Derivatives [1]	—	2,158	—	2,158
Other assets:				
Trading account assets	362	2,526	951	3,839
Other [2]	11	279	—	290
Total assets measured at fair value	$ 18,347	$ 192,756	$ 16,332	$ 227,435
Liabilities measured at fair value				
Derivatives [3]	$ 15	$ 1,493	$ —	$ 1,508
Investment contract liabilities	—	94,612	—	94,612
Other liabilities	11	279	—	290
Total liabilities measured at fair value	$ 26	$ 96,384	$ —	$ 96,410

1 Excludes collateral received from counterparties of $1,184.
2 Includes collateral received under securities lending arrangements.
3 Excludes collateral pledged to counterparties of $433.

There were no transfers of the Company's assets and liabilities between Level 1 and Level 2 in the period.

	December 31, 2022			
Assets measured at fair value	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 7,290	$ —	$ —	$ 7,290
Financial assets at fair value through profit or loss				
Bonds	—	143,739	195	143,934
Mortgage loans	—	29,013	3,371	32,384
Stocks	10,548	86	3,029	13,663
Total financial assets at fair value through profit or loss	10,548	172,838	6,595	189,981
Financial assets at fair value through other comprehensive income				
Bonds	—	12,157	—	12,157
Mortgage loans	—	621	—	621
Total financial assets at fair value through other comprehensive income	—	12,778	—	12,778
Investment properties	—	—	8,344	8,344
Derivatives [1]	13	2,301	—	2,314
Other assets:				
Trading account assets	309	1,723	940	2,972
Other [2]	11	180	—	191
Total assets measured at fair value	$ 18,171	$ 189,820	$ 15,879	$ 223,870
Liabilities measured at fair value				
Derivatives [3]	$ —	$ 1,639	$ —	$ 1,639
Investment contract liabilities	—	94,810	—	94,810
Other liabilities	11	180	—	191
Total liabilities measured at fair value	$ 11	$ 96,629	$ —	$ 96,640

1 Excludes collateral received from counterparties of $1,348.
2 Includes collateral received under securities lending arrangements.
3 Excludes collateral pledged to counterparties of $532.

There were no transfers of the Company's assets and liabilities between Level 1 and Level 2 in the year.

7. Fair Value Measurement (cont'd)

The following presents additional information about assets and liabilities measured at fair value on a recurring basis and for which the Company has utilized Level 3 inputs to determine fair value:

	March 31, 2023					
	Fair value through profit or loss bonds	Fair value through profit or loss mortgage loans	Fair value through profit or loss stocks [3]	Investment properties	Trading account assets	Total Level 3 assets
Balance, beginning of year	$ 195	$ 3,371	$ 3,029	$ 8,344	$ 940	$ 15,879
Total gains (losses)						
Included in net earnings	1	81	27	(140)	(13)	(44)
Included in other comprehensive income [1]	1	30	—	44	—	75
Purchases	30	—	154	82	24	290
Issues	—	208	—	—	—	208
Sales	(2)	—	(36)	(2)	—	(40)
Settlements	—	(36)	—	—	—	(36)
Other	—	—	—	—	—	—
Transfers into Level 3 [2]	—	—	—	—	—	—
Transfers out of Level 3 [2]	—	—	—	—	—	—
Balance, end of period	$ 225	$ 3,654	$ 3,174	$ 8,328	$ 951	$ 16,332
Total gains (losses) for the period included in net investment income	$ 1	$ 81	$ 27	$ (140)	$ (13)	$ (44)
Change in unrealized gains (losses) for the period included in earnings for assets held at March 31, 2023	$ 1	$ 81	$ 27	$ (140)	$ (13)	$ (44)

1 Amount of other comprehensive income for fair value through profit or loss bonds, mortgage loans and investment properties represents the unrealized gains (losses) on foreign exchange.

2 Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies or the placement of redemption restrictions on investments in mutual and segregated funds. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors or the lifting of redemption restrictions on investment in mutual and segregated funds.

3 Includes investments in mutual and segregated funds where there are redemption restrictions. The fair value is based on observable, quoted prices.

7. Fair Value Measurement (cont'd)

	December 31, 2022						
	Fair value through profit or loss bonds	Fair value through profit or loss mortgage loans	Fair value through profit or loss stocks [3]	Available for-sale stocks	Investment properties	Trading account assets	Total Level 3 assets
Balance, beginning of year	$ 100	$ 2,609	$ 1,680	$ 204	$ 7,763	$ 531	$ 12,887
Impact of application of IFRS 9 overlay	45	6	349	(204)	—	—	196
Revised balance, beginning of year	145	2,615	2,029	—	7,763	531	13,083
Total gains (losses)							
Included in net earnings	(12)	(644)	225	—	(41)	(125)	(597)
Included in other comprehensive income [1]	—	(70)	(7)	—	(42)	30	(89)
Purchases	82	—	924	—	710	710	2,426
Issues	—	1,631	—	—	—	—	1,631
Sales	(20)	—	(142)	—	(55)	(168)	(385)
Settlements	—	(161)	—	—	—	—	(161)
Other	—	—	—	—	9	—	9
Transfers into Level 3 [2]	—	—	—	—	—	12	12
Transfers out of Level 3 [2]	—	—	—	—	—	(50)	(50)
Balance, end of year	$ 195	$ 3,371	$ 3,029	$ —	$ 8,344	$ 940	$ 15,879
Total gains (losses) for the year included in net investment income	$ (12)	$ (644)	$ 225	$ —	$ (41)	$ (125)	$ (597)
Change in unrealized gains (losses) for the year included in earnings for assets held at December 31, 2022	$ (12)	$ (642)	$ 199	$ —	$ (34)	$ (126)	$ (615)

1 Amount of other comprehensive income for fair value through profit or loss bonds, mortgage loans and investment properties represents the unrealized gains (losses) on foreign exchange.

2 Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies or the placement of redemption restrictions on investments in mutual and segregated funds. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors or the lifting of redemption restrictions on investment in mutual and segregated funds.

3 Includes investments in mutual and segregated funds where there are redemption restrictions. The fair value is based on observable, quoted prices.

7. Fair Value Measurement (cont'd)

The following sets out information about significant unobservable inputs used at period-end in measuring assets and liabilities categorized as Level 3 in the fair value hierarchy:

Type of asset	Valuation approach	Significant unobservable input	Input value	Inter-relationship between key unobservable inputs and fair value measurement
Investment properties	Investment property valuations are generally determined using property valuation models based on expected capitalization rates and models that discount expected future net cash flows. The determination of the fair value of investment property requires the use of estimates such as future cash flows (such as future leasing assumptions, rental rates, capital and operating expenditures) and discount, reversionary and overall capitalization rates applicable to the asset based on current market rates.	Discount rate Reversionary rate Vacancy rate	Range of 4.0% - 16.1% Range of 4.0% - 7.8% Weighted average of 2.8%	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value. A decrease in the reversionary rate would result in an increase in fair value. An increase in the reversionary rate would result in a decrease in fair value. A decrease in the expected vacancy rate would generally result in an increase in fair value. An increase in the expected vacancy rate would generally result in a decrease in fair value.
Mortgage loans - equity release mortgages (fair value through profit or loss)	The valuation approach for equity release mortgages is to use an internal valuation model to determine the projected asset cash flows, including the stochastically calculated cost of the no negative equity guarantee for each individual loan, to aggregate these across all loans and to discount those cash flows back to the valuation date. The projection is done monthly until expected redemption of the loan either voluntarily or on the death/ entering into long term care of the loanholders.	Discount rate	Range of 4.3% - 7.0%	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value.
Stocks	The determination of the fair value of stocks requires the use of estimates such as future cash flows, discount rates, projected earnings multiples, or recent transactions.	Discount rate	Various	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value.

8. Insurance Revenue

	For the three months ended March 31	
	2023	2022
Contracts not measured under the PAA		
Amounts relating to changes in liabilities for remaining coverage		
Experience adjustments	**$ (14)**	$ (53)
CSM recognized for services provided	**307**	282
Change in risk adjustment for non-financial risk for risk expired	**149**	165
Expected incurred claims and other insurance service expenses	**2,243**	2,284
Recovery of insurance acquisition cash flows	**138**	104
	$ 2,823	$ 2,782
Contracts measured under the PAA	**2,214**	1,998
Total insurance revenue	**$ 5,037**	$ 4,780

9. Insurance Service and Other Operating and Administrative Expenses

	For the three months ended March 31	
	2023	2022
Claims and benefits incurred	**$ 3,446**	$ 3,260
Allocation of premium directly to recovery of insurance acquisition cash flows	**173**	163
Adjustments to the liability for incurred claims	**(86)**	(130)
Losses and reversal of losses on onerous insurance contracts	**14**	5
Salaries and other employee benefits	**1,258**	1,077
General and administrative	**476**	343
Interest expense on leases	**5**	5
Depreciation of fixed assets	**24**	27
Depreciation of right-of-use assets	**17**	16
Commissions	**460**	459
Total expenses	**5,787**	5,225
Represented by:		
Insurance service expenses	**$ 3,995**	$ 3,737
Other operating and administrative expenses	**1,792**	1,488
Total expenses	**$ 5,787**	$ 5,225

10. Insurance Contracts

		March 31, 2023		December 31, 2022
Insurance contract liabilities				
Insurance contract balances	**$**	**138,937**	$	135,609
Assets for insurance acquisition cash flows		**(172)**		(171)
Total non-segregated fund insurance contracts		**138,765**		135,438
Segregated fund insurance contracts (note 12)		**59,435**		57,841
Total	**$**	**198,200**	$	193,279
Insurance contract assets				
Insurance contract balances	**$**	**1,161**	$	1,142
Assets for insurance acquisition cash flows		**(3)**		(2)
Total	**$**	**1,158**	$	1,140

Included in the insurance contract balances are policyholder loans of $9,013 and funds withheld on reinsurance contracts issued by the Company of $4,152 ($8,999 and $4,105 respectively as at December 31, 2022).

Note 10(a) provides an analysis of the insurance contract liability and asset balances, including segregated fund balances, but excluding the assets for insurance acquisition cash flows.

Note 10(b) provides an analysis of the insurance contract liability and asset balances, including segregated fund balances, but excluding the assets for insurance acquisition cash flows, for insurance contracts not measured under PAA.

Note 10(e) provides analysis on the asset for insurance acquisition cash flows.

(a) Analysis by remaining coverage and incurred claims

Insurance Contracts	March 31, 2023					
	Liability for remaining coverage		Liability for incurred claims			
				Contracts under PAA		
	Excluding loss component	Loss component	Contracts not under PAA	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Total
Opening assets	$ (1,277)	$ 2	$ 197	$ (64)	$ —	$ (1,142)
Opening liabilities	176,346	199	3,366	12,994	545	193,450
Net opening balance	$ 175,069	$ 201	$ 3,563	$ 12,930	$ 545	$ 192,308
Changes in the Consolidated Statements of Earnings and Comprehensive Income						
Insurance revenue	(5,037)	—	—	—	—	(5,037)
Insurance service expenses						
Incurred claims and other insurance service expenses	—	(6)	2,327	1,517	56	3,894
Amortization of insurance acquisition cash flows	173	—	—	—	—	173
Losses and reversal of losses on onerous contracts	—	14	—	—	—	14
Adjustments to liabilities for incurred claims	—	—	(4)	(19)	(63)	(86)
	173	8	2,323	1,498	(7)	3,995
Investment components	(2,518)	—	1,818	700	—	—
Total changes in insurance service result	(7,382)	8	4,141	2,198	(7)	(1,042)
Net finance expenses from insurance contracts	4,933	5	1,292	344	17	6,591
Total changes in the Consolidated Statements of Earnings and Comprehensive Income	$ (2,449)	$ 13	$ 5,433	$ 2,542	$ 10	$ 5,549
Cash flows						
Premiums received	$ 7,135	$ —	$ —	$ —	$ —	$ 7,135
Incurred claims paid and other insurance service expenses paid	(15)	—	(5,345)	(2,215)	—	(7,575)
Insurance acquisition cash flows	(223)	—	—	—	—	(223)
Insurance acquisition cash flows transferred from the asset for insurance acquisition cash flows at initial recognition	(8)	—	—	—	—	(8)
Other cash flows [1]	179	—	—	—	—	179
Total cash flows	$ 7,068	$ —	$ (5,345)	$ (2,215)	$ —	$ (492)
Other movements [2]	(154)	—	—	—	—	(154)
Net closing balance	$ 179,534	$ 214	$ 3,651	$ 13,257	$ 555	$ 197,211
Recorded in:						
Closing assets	$ (1,899)	$ 4	$ 779	$ (45)	$ —	$ (1,161)
Closing liabilities	181,433	210	2,872	13,302	555	198,372
Net closing balance	$ 179,534	$ 214	$ 3,651	$ 13,257	$ 555	$ 197,211

1 Other cash flows includes transfer to/from segregated funds, premiums to be settled via funding component balance (FCB), claims to be settled via FCB, net settlement, and other cash flows from policy loans.

2 Other movements represent changes in the expected fulfillment cash flows on certain reinsurance contracts held where the Company has no continuing involvement other than exposure to the remote insolvency risk of the reinsurer. This movement is offset by movement in associated reinsurance assets.

10. Insurance Contracts (cont'd)

Insurance Contracts	December 31, 2022					
	Liability for remaining coverage		Liability for incurred claims			
				Contracts under PAA		
	Excluding loss component	Loss component	Contracts not under PAA	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Total
Opening assets	$ (2,125)	$ —	$ 730	$ (138)	$ —	$ (1,533)
Opening liabilities	205,431	181	2,963	14,155	595	223,325
Net opening balance	$ 203,306	$ 181	$ 3,693	$ 14,017	$ 595	$ 221,792
Changes in the Consolidated Statements of Earnings and Comprehensive Income						
Insurance revenue	(19,638)	—	—	—	—	(19,638)
Insurance service expenses						
Incurred claims and other insurance service expenses	—	(26)	8,848	5,668	344	14,834
Amortization of insurance acquisition cash flows	635	—	—	—	—	635
Losses and reversal of losses on onerous contracts	—	61	—	—	—	61
Adjustments to liabilities for incurred claims	—	—	(66)	105	(299)	(260)
	635	35	8,782	5,773	45	15,270
Investment components	(9,018)	—	6,072	2,946	—	—
Total changes in insurance service result	(28,021)	35	14,854	8,719	45	(4,368)
Net finance expenses from insurance contracts	(27,829)	(15)	4,397	(1,498)	(95)	(25,040)
Total changes in the Consolidated Statements of Earnings and Comprehensive Income	$ (55,850)	$ 20	$ 19,251	$ 7,221	$ (50)	$ (29,408)
Cash flows						
Premiums received	$ 30,508	$ —	$ —	$ —	$ —	$ 30,508
Incurred claims paid and other insurance service expenses paid	(55)	—	(19,362)	(8,280)	—	(27,697)
Insurance acquisition cash flows	(832)	—	—	—	—	(832)
Insurance acquisition cash flows transferred from the asset for insurance acquisition cash flows at initial recognition	(98)	—	—	—	—	(98)
Other cash flows [1]	898	—	—	—	—	898
Total cash flows	$ 30,421	$ —	$ (19,362)	$ (8,280)	$ —	$ 2,779
Other movements [2]	(2,982)	—	(19)	(28)	—	(3,029)
Impact of acquisitions/dispositions [3]	174	—	—	—	—	174
Net closing balance	$ 175,069	$ 201	$ 3,563	$ 12,930	$ 545	$ 192,308
Recorded in:						
Closing assets	$ (1,277)	$ 2	$ 197	$ (64)	$ —	$ (1,142)
Closing liabilities	176,346	199	3,366	12,994	545	193,450
Net closing balance	$ 175,069	$ 201	$ 3,563	$ 12,930	$ 545	$ 192,308

[1] Other cash flows includes transfer to/from segregated funds, premiums to be settled via FCB, claims to be settled via FCB, net settlement, and other cash flows from policy loans.

[2] Other movements represent changes in the expected fulfillment cash flows on certain reinsurance contracts held where the Company has no continuing involvement other than exposure to the remote insolvency risk of the reinsurer. This movement is offset by movement in associated reinsurance assets.

[3] On April 1, 2022, the Company completed the acquisition of the full-service retirement services business of Prudential Financial, Inc. The contributions of the acquired business to the Company's overall results have been presented separately for the comparative period.

(b) Analysis by measurement component for insurance contracts not measured under PAA

Insurance Contracts	March 31, 2023			
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
Opening assets	$ (4,271)	$ 515	$ 2,773	$ (983)
Opening liabilities	163,119	6,036	11,361	180,516
Net opening balance	$ 158,848	$ 6,551	$ 14,134	$ 179,533
Changes in the Consolidated Statements of Earnings and Comprehensive Income				
Changes that relate to current service				
CSM recognized for services provided	—	—	(307)	(307)
Change in risk adjustment for non-financial risk for risk expired	—	(149)	—	(149)
Experience adjustments	91	—	—	91
Changes that relate to future service				
Contracts initially recognized in the period	(199)	68	136	5
Changes in estimates that adjust the CSM	64	10	(74)	—
Changes in estimates that result in losses and reversal of losses on onerous contacts	8	3	—	11
Changes that relate to past service				
Adjustment to liabilities for incurred claims	(4)	—	—	(4)
Total changes in insurance service result	(40)	(68)	(245)	(353)
Net finance expenses from insurance contracts	1,550	260	37	1,847
Effect of movement in exchanges rates	571	47	90	708
Change in fair value of underlying items	3,670	—	—	3,670
Total changes in the Consolidated Statements of Earnings and Comprehensive Income	$ 5,751	$ 239	$ (118)	$ 5,872
Cash flows				
Premiums received	$ 4,255	$ —	$ —	$ 4,255
Incurred claims paid and other insurance service expenses paid	(5,361)	—	—	(5,361)
Insurance acquisition cash flows	(192)	—	—	(192)
Insurance acquisition cash flows transferred from the asset for insurance acquisition cash flows at initial recognition	—	—	—	—
Other cash flows [1]	177	—	—	177
Total cash flows	$ (1,121)	$ —	$ —	$ (1,121)
Other movements [2]	(154)	—	—	(154)
Net closing balance	$ 163,324	$ 6,790	$ 14,016	$ 184,130
Recorded in:				
Closing assets	$ (6,416)	$ 1,516	$ 3,882	$ (1,018)
Closing liabilities	169,740	5,274	10,134	185,148
Net closing balance	$ 163,324	$ 6,790	$ 14,016	$ 184,130

[1] Other cash flows includes transfer to/from segregated funds, premiums to be settled via FCB, claims to be settled via FCB, net settlements, other cash flows from policy loans.

[2] Other movements represent changes in the expected fulfillment cash flows on certain reinsurance contracts held where the Company has no continuing involvement other than exposure to the remote insolvency risk of the reinsurer. This movement is offset by movement in associated reinsurance assets.

10. Insurance Contracts (cont'd)

Insurance Contracts	December 31, 2022			
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
Opening assets	$ (7,289)	$ 2,376	$ 3,609	$ (1,304)
Opening liabilities	192,896	7,067	9,447	209,410
Net opening balance	$ 185,607	$ 9,443	$ 13,056	$ 208,106
Changes in the Consolidated Statements of Earnings and Comprehensive Income				
Changes that relate to current service				
CSM recognized for services provided	—	—	(1,169)	(1,169)
Change in risk adjustment for non-financial risk for risk expired	—	(638)	—	(638)
Experience adjustments	140	1	—	141
Changes that relate to future service				
Contracts initially recognized in the year	(1,138)	385	766	13
Changes in estimates that adjust the CSM	(958)	(112)	1,069	(1)
Changes in estimates that result in losses and reversal of losses on onerous contacts	21	21	—	42
Changes that relate to past service				
Adjustment to liabilities for incurred claims	(68)	1	—	(67)
Total changes in insurance service result	(2,003)	(342)	666	(1,679)
Net finance expenses from insurance contracts	(11,498)	(2,497)	116	(13,879)
Effect of movement in exchanges rates	254	(83)	2	173
Change in fair value of underlying items	(9,713)	—	—	(9,713)
Total changes in the Consolidated Statements of Earnings and Comprehensive Income	$ (22,960)	$ (2,922)	$ 784	$ (25,098)
Cash flows				
Premiums received	$ 18,672	$ —	$ —	$ 18,672
Incurred claims paid and other insurance service expenses paid	(19,417)	—	—	(19,417)
Insurance acquisition cash flows	(746)	—	—	(746)
Insurance acquisition cash flows transferred from the asset for insurance acquisition cash flows at initial recognition	—	—	—	—
Fee transfers from the segregated fund	(52)	—	—	(52)
Other cash flows [1]	936	—	—	936
Total cash flows	$ (607)	$ —	$ —	$ (607)
Other movements [2]	(3,042)	—	—	(3,042)
Impact of acquisitions/dispositions [3]	(150)	30	294	174
Net closing balance	$ 158,848	$ 6,551	$ 14,134	$ 179,533
Recorded in:				
Closing assets	$ (4,271)	$ 515	$ 2,773	$ (983)
Closing liabilities	163,119	6,036	11,361	180,516
Net closing balance	$ 158,848	$ 6,551	$ 14,134	$ 179,533

[1] Other cash flows includes transfer to/from segregated funds, premiums to be settled via FCB, claims to be settled via FCB, net settlements, other cash flows from policy loans.

[2] Other movements represent changes in the expected fulfillment cash flows on certain reinsurance contracts held where the Company has no continuing involvement other than exposure to the remote insolvency risk of the reinsurer. This movement is offset by movement in associated reinsurance assets.

[3] On April 1, 2022, the Company completed the acquisition of the full-service retirement services business of Prudential Financial, Inc. The contributions of the acquired business to the Company's overall results have been presented separately for the comparative period.

(c) Effect on measurement components of contracts initially recognized in the period

Insurance Contracts	March 31, 2023 Profitable contracts issued	Onerous contracts issued	Total
Insurance acquisition cash flows	$ 69	$ 13	$ 82
Claims and other insurance service expenses payable	2,053	24	2,077
Estimates of present value of cash outflows	2,122	37	2,159
Estimates of present value of cash inflows	(2,320)	(38)	(2,358)
Risk adjustment for non-financial risk	62	6	68
CSM	136	—	136
Total losses recognized on initial recognition	$ —	$ 5	$ 5

Insurance Contracts	December 31, 2022 Profitable contracts issued	Onerous contracts issued	Total
Insurance acquisition cash flows	$ 343	$ 64	$ 407
Claims and other insurance service expenses payable	10,753	526	11,279
Estimates of present value of cash outflows	11,096	590	11,686
Estimates of present value of cash inflows	(12,155)	(669)	(12,824)
Risk adjustment for non-financial risk	296	89	385
CSM	755	11	766
Total losses recognized on initial recognition	$ (8)	$ 21	$ 13

The Company did not acquire any insurance contracts held through transfer or business combination.

(d) Expected remaining CSM recognition

Insurance Contracts	1 year or less	1-2 years	2-3 years	3-4 years	4-5 years	5-10 years	More than 10 years	Total
March 31, 2023	$ 1,140	$ 1,053	$ 975	$ 902	$ 833	$ 4,344	$ 4,769	$ 14,016
December 31, 2022	1,139	1,060	972	899	832	4,342	4,890	14,134

(e) Analysis of the Asset for Insurance Acquisition Cash Flows

	March 31, 2023	December 31, 2022
Balance, beginning of year	$ (171)	$ (162)
Insurance acquisition cash flows paid in the period	(9)	(107)
Insurance acquisition cash flows allocated to groups of insurance contracts recognized in the period	8	98
Balance, end of period	$ (172)	$ (171)

(f) Expected Derecognition of the Asset for Insurance Acquisition Cash Flows

	1 year or less	1-2 years	2-3 years	3-4 years	4-5 years	5-10 years	More than 10 years	Total
March 31, 2023	**$ 29**	**$ 27**	**$ 25**	**$ 23**	**$ 20**	**$ 48**	**$ —**	**$ 172**
December 31, 2022	29	27	25	23	21	46	—	171

(g) Insurance Risk

The earnings and CSM sensitivities illustrated in the table below represent impacts as at December 31, 2022 under the Company's current accounting policies as at March 31, 2023, including accounting for insurance contracts under IFRS 17. The Company’s insurance risk sensitivities at March 31, 2023 have not changed significantly from the amounts disclosed in the table below.

	Net earnings	CSM
2% Life mortality increase	**$ 25**	**$ (325)**
2% Annuity mortality decrease	**200**	**(650)**
5% Morbidity adverse change	**(100)**	**(125)**
5% Expense increase	**—**	**(175)**
10% Adverse change in policy termination and renewal	**150**	**(1,100)**

These sensitivities reflect the impact on earnings and CSM of an immediate change in assumptions on the value of insurance contract liabilities. The impact on shareholders’ equity equals the net earnings impact.

Most assumption changes directly impact CSM under IFRS 17, rather than earnings. For products measured under the GMM, there is a second-order impact, which captures the difference between the assumption change impact measured at prevailing discount rates and the impact under locked-in discount rates. Most locked-in rates for the calculation of CSM impacts were struck at January 1, 2022 for the in-force portfolio. Given the significant rise in interest rates in 2022, the prevailing discount rates now differ significantly from the lock-in discount rates. Therefore under current market conditions, an assumption change which strengthens liabilities will be measured at lower interest rates in the CSM than prevailing rates, leading to a liability strengthening offset by CSM reduction and an increase to earnings due to the interest rate effects.

The CSM outlined above is presented net of reinsurance held.

11. Reinsurance Contracts Held

	March 31, 2023	December 31, 2022
Reinsurance Contracts Held		
Assets	**$ 17,601**	$ 17,571
Liabilities	**(549)**	(537)

Included in the reinsurance contracts held amounts are funds withheld by the Company under reinsurance contracts of $1,078 ($1,039 as at December 31, 2022).

Note 11(a) provides an analysis of the reinsurance contract held liability and asset balances.

Note 11(b) provides an analysis of the reinsurance contract held liability and asset balances for reinsurance contracts held not measured under PAA.

(a) Analysis by remaining coverage and incurred claims

Reinsurance Contracts Held	March 31, 2023					
	Remaining coverage component		Incurred claims component			
	Excluding loss recovery component	Loss recovery component	Contracts not under the PAA	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Total
Opening assets	$ 16,212	$ 76	$ 952	$ 320	$ 11	$ 17,571
Opening liabilities	(760)	—	223	—	—	(537)
Net opening balance	**$ 15,452**	**$ 76**	**$ 1,175**	**$ 320**	**$ 11**	**$ 17,034**
Changes in the Consolidated Statements of Earnings and Comprehensive Income						
Net expenses from reinsurance contracts	$ (892)	$ 4	$ 344	$ 202	$ —	$ (342)
Investment components	(27)	—	27	—	—	—
Net finance income from reinsurance contracts, excluding the effect of changes in non-performance risk of reinsurers	111	1	25	2	—	139
Effect of changes in non-performance risk of reinsurers	—	—	—	—	—	—
Total changes in the Consolidated Statements of Earnings and Comprehensive Income	**$ (808)**	**$ 5**	**$ 396**	**$ 204**	**$ —**	**$ (203)**
Cash flows						
Premiums paid	832	—	—	—	—	832
Incurred claims received and other insurance service amounts received	—	—	(246)	(223)	—	(469)
Other cash flows [1]	12	—	—	—	—	12
Total cash flows	**$ 844**	**$ —**	**$ (246)**	**$ (223)**	**$ —**	**$ 375**
Other movements [2]	(154)	—	—	—	—	(154)
Net closing balance	**$ 15,334**	**$ 81**	**$ 1,325**	**$ 301**	**$ 11**	**$ 17,052**
Recorded in:						
Closing assets	$ 16,143	$ 81	$ 1,064	$ 302	$ 11	$ 17,601
Closing liabilities	(809)	—	261	(1)	—	(549)
Net closing balance	**$ 15,334**	**$ 81**	**$ 1,325**	**$ 301**	**$ 11**	**$ 17,052**

[1] Other cash flows includes transfer to/from segregated funds, premiums to be settled via FCB, claims to be settled via FCB, net settlements, other cash flows from policy loans.

[2] Other movements represent changes in the expected fulfillment cash flows on certain reinsurance contracts held where the Company has no continuing involvement other than exposure to the remote insolvency risk of the reinsurer. This movement is offset by movement in associated reinsurance assets.

11. Reinsurance Contracts Held (cont'd)

Reinsurance Contracts Held	December 31, 2022					
	Remaining coverage component		Incurred claims component			
	Excluding loss recovery component	Loss recovery component	Contracts not under the PAA	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Total
Opening assets	$ 20,425	$ 65	$ 1,003	$ 342	$ 8	$ 21,843
Opening liabilities	(1,314)	—	24	—	—	(1,290)
Net opening balance	$ 19,111	$ 65	$ 1,027	$ 342	$ 8	$ 20,553
Changes in the Consolidated Statements of Earnings and Comprehensive Income						
Net expenses from reinsurance contracts	$ (3,536)	$ 17	$ 1,196	$ 788	$ 6	$ (1,529)
Investment components	(63)	—	63	—	—	—
Net finance income from reinsurance contracts, excluding the effect of changes in non-performance risk of reinsurers	(432)	(6)	(45)	(15)	(3)	(501)
Effect of changes in non-performance risk of reinsurers	—	—	—	—	—	—
Total changes in the Consolidated Statements of Earnings and Comprehensive Income	$ (4,031)	$ 11	$ 1,214	$ 773	$ 3	$ (2,030)
Cash flows						
Premiums paid	3,295	—	—	—	—	3,295
Incurred claims received and other insurance service amounts received	—	—	(1,034)	(794)	—	(1,828)
Other cash flows	29	—	—	—	—	29
Total cash flows	$ 3,324	$ —	$ (1,034)	$ (794)	$ —	$ 1,496
Other movements [2]	(2,952)	—	(32)	(1)	—	(2,985)
Net closing balance	$ 15,452	$ 76	$ 1,175	$ 320	$ 11	$ 17,034
Recorded in:						
Closing assets	$ 16,212	$ 76	$ 952	$ 320	$ 11	$ 17,571
Closing liabilities	(760)	—	223	—	—	(537)
Net closing balance	$ 15,452	$ 76	$ 1,175	$ 320	$ 11	$ 17,034

[1] Other cash flows includes transfer to/from segregated funds, premiums to be settled via FCB, claims to be settled via FCB, net settlements, other cash flows from policy loans.

[2] Other movements represent changes in the expected fulfillment cash flows on certain reinsurance contracts held where the Company has no continuing involvement other than exposure to the remote insolvency risk of the reinsurer. This movement is offset by movement in associated reinsurance assets.

(b) Analysis by measurement component for reinsurance contracts held not measured under PAA

Reinsurance Contracts Held	March 31, 2023			
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
Opening assets	$ 15,791	$ 1,062	$ 514	$ 17,367
Opening liabilities	(1,458)	429	497	(532)
Net opening balance	$ 14,333	$ 1,491	$ 1,011	$ 16,835
Changes in the Consolidated Statements of Earnings and Comprehensive Income				
Changes that relate to current service				
CSM recognized for services received	$ —	$ —	$ (23)	$ (23)
Change in risk adjustment for non-financial risk for risk expired	—	(36)	—	(36)
Experience adjustments	22	—	—	22
Changes that relate to future service				
Contracts initially recognized in the period	(24)	24	3	3
Changes in estimates that adjust the CSM	27	1	(28)	—
Changes in estimates that result in losses and reversal of losses on onerous contacts	1	2	—	3
Changes that relate to past service				
Changes to incurred claims component	1	—	—	1
Changes in amounts recoverable arising from changes in liability for incurred claims	1	—	—	1
Experience adjustments relating to past service	—	—	—	—
Net expenses from reinsurance contracts	28	(9)	(48)	(29)
Net finance income from reinsurance contracts, excluding the effect of changes in non-performance risk of reinsurers	56	70	10	136
Effect of changes in non-performance risk of reinsurers	—	—	—	—
Total changes in the Consolidated Statements of Earnings and Comprehensive Income	$ 84	$ 61	$ (38)	$ 107
Cash flows				
Premiums paid	$ 293	$ —	$ —	$ 293
Incurred claims received and other insurance service amounts received	(245)	—	—	(245)
Other cash flows [1]	12	—	—	12
Total cash flows	$ 60	$ —	$ —	$ 60
Other movements [2]	(154)	—	—	(154)
Net closing balance	$ 14,323	$ 1,552	$ 973	$ 16,848
Recorded in:				
Closing assets	$ 15,682	$ 1,188	$ 521	$ 17,391
Closing liabilities	(1,359)	364	452	(543)
Net closing balance	$ 14,323	$ 1,552	$ 973	$ 16,848

[1] Other cash flows includes transfer to/from segregated funds, premiums to be settled via FCB, claims to be settled via FCB, net settlements, other cash flows from policy loans.

[2] Other movements represent changes in the expected fulfillment cash flows on certain reinsurance contracts held where the Company has no continuing involvement other than exposure to the remote insolvency risk of the reinsurer. This movement is offset by movement in associated reinsurance assets.

11. Reinsurance Contracts Held (cont'd)

Reinsurance Contracts Held	December 31, 2022			
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
Opening assets	$ 19,427	$ 1,496	$ 705	$ 21,628
Opening liabilities	(2,123)	472	371	(1,280)
Net opening balance	$ 17,304	$ 1,968	$ 1,076	$ 20,348
Changes in the Consolidated Statements of Earnings and Comprehensive Income				
Changes that relate to current service				
CSM recognized for services received	$ —	$ —	$ (95)	$ (95)
Change in risk adjustment for non-financial risk for risk expired	—	(153)	—	(153)
Experience adjustments	(54)	—	—	(54)
Changes that relate to future service				
Contracts initially recognized in the year	(113)	74	53	14
Changes in estimates that adjust the CSM	(39)	72	(44)	(11)
Changes in estimates that result in losses and reversal of losses on onerous contacts	5	11	—	16
Changes that relate to past service				
Changes to incurred claims component	—	—	—	—
Changes in amounts recoverable arising from changes in liability for incurred claims	18	1	—	19
Experience adjustments relating to past service	—	—	—	—
Net expenses from reinsurance contracts	(183)	5	(86)	(264)
Net finance income from reinsurance contracts, excluding the effect of changes in non-performance risk of reinsurers	(28)	(482)	21	(489)
Effect of changes in non-performance risk of reinsurers	—	—	—	—
Total changes in the Consolidated Statements of Earnings and Comprehensive Income	$ (211)	$ (477)	$ (65)	$ (753)
Cash flows				
Premiums paid	$ 1,231	$ —	$ —	$ 1,231
Incurred claims received and other insurance service amounts received	(1,035)	—	—	(1,035)
Other cash flows [1]	29	—	—	29
Total cash flows	$ 225	$ —	$ —	$ 225
Other movements [2]	(2,985)	—	—	(2,985)
Net closing balance	$ 14,333	$ 1,491	$ 1,011	$ 16,835
Recorded in:				
Closing assets	$ 15,791	$ 1,062	$ 514	$ 17,367
Closing liabilities	(1,458)	429	497	(532)
Net closing balance	$ 14,333	$ 1,491	$ 1,011	$ 16,835

[1] Other cash flows includes transfer to/from segregated funds, premiums to be settled via FCB, claims to be settled via FCB, net settlements, other cash flows from policy loans.

[2] Other movements represent changes in the expected fulfillment cash flows on certain reinsurance contracts held where the Company has no continuing involvement other than exposure to the remote insolvency risk of the reinsurer. This movement is offset by movement in associated reinsurance assets.

(c) Effect on measurement components of contracts initially recognized in the period

Reinsurance Contracts Held	March 31, 2023	December 31, 2022
Estimates of present value of cash outflows	$ 396	$ 1,199
Estimates of present value of cash inflows	(372)	(1,086)
Risk adjustment for non-financial risk	(24)	(74)
Income recognized on initial recognition	3	14
CSM	$ (3)	$ (53)

The Company did not acquire any reinsurance contracts held through transfer or business combination.

(d) Expected remaining CSM recognition

	Reinsurance Contracts Held							
	1 year or less	1-2 years	2-3 years	3-4 years	4-5 years	5-10 years	More than 10 years	Total
March 31, 2023	$ (98)	$ (89)	$ (78)	$ (73)	$ (64)	$ (509)	$ (62)	$ (973)
December 31, 2022	(91)	(82)	(75)	(68)	(61)	(494)	(140)	(1,011)

12. Segregated Funds and Other Structured Entities

The following presents further details of the investments, determined in accordance with the relevant statutory reporting requirements of each region of the Company's operations, on account of segregated fund policyholders:

(a) Investments on account of segregated fund policyholders

	March 31 2023	December 31 2022 [1]
Cash and cash equivalents	$ 15,187	$ 14,562
Bonds	72,893	69,371
Mortgage loans	2,080	2,159
Stocks and units in unit trusts	123,633	117,863
Mutual funds	178,082	168,459
Investment properties	12,907	13,035
	404,782	385,449
Accrued income	829	692
Other liabilities	(5,585)	(4,647)
Non-controlling mutual funds interest	5,120	6,388
Total [2]	$ 405,146	$ 387,882

1 The Company has adjusted certain comparative figures to conform to the current year's presentation. These adjustments had no impact on the equity or net earnings of the Company.

2 At March 31, 2023, $67,679 of investments on account of segregated fund policyholders are reinsured by the Company on a modified coinsurance basis ($66,283 at December 31, 2022). Included in this amount are $276 of cash and cash equivalents, $12,343 of bonds, $15 of stocks and units in unit trusts, $55,121 of mutual funds, $90 of accrued income and $(166) of other liabilities.

(b) Insurance and investment contracts on account of segregated fund policyholders

	March 31 2023	December 31 2022
Insurance contracts on account of segregated fund policyholder	**$ 59,435**	$ 57,841
Investment contracts on account of segregated fund policyholder	**345,711**	330,041
	$ 405,146	$ 387,882

(c) Contracts on account of segregated fund policyholders

	For the three months ended March 31	
	2023	2022 [1]
Balance, beginning of year	**$ 387,882**	$ 357,419
Additions (deductions):		
Policyholder deposits	**14,905**	8,273
Net investment income	**861**	446
Net realized capital gains on investments	**65**	1,786
Net unrealized capital gains (losses) on investments	**14,724**	(18,131)
Unrealized gains (losses) due to changes in foreign exchange rates	**1,953**	(7,296)
Policyholder withdrawals	**(14,028)**	(8,957)
Change in Segregated Fund investment in General Fund	**13**	21
Change in General Fund investment in Segregated Fund	**2**	(9)
Net transfer from (to) General Fund	**37**	(5)
Non-controlling mutual funds interest	**(1,268)**	671
Total	**17,264**	(23,201)
Balance, end of period	**$ 405,146**	$ 334,218

[1] The Company has adjusted certain comparative figures to conform to the current year's presentation. These adjustments had no impact on the equity or net earnings of the Company.

(d) Contracts on account of segregated fund policyholders by fair value hierarchy level

	March 31, 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Investment contracts on account of segregated fund policyholders [1]	**$ 278,495**	**$ 117,082**	**$ 14,550**	**$ 410,127**

[1] Excludes other liabilities, net of other assets, of $4,981.

12. Segregated Funds and Other Structured Entities (cont'd)

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Investment contracts on account of segregated fund policyholders [1, 2]	$ 270,892	$ 106,720	$ 14,455	$ 392,067

[1] Excludes other liabilities, net of other assets, of $4,185.
[2] The Company has adjusted certain comparative figures to conform to the current year's presentation. These adjustments had no impact on the equity or net earnings of the Company.

During the first three months of 2023, certain foreign stock holdings valued at $4,580 have been transferred from Level 1 to Level 2 ($2,301 were transferred from Level 2 to Level 1 at December 31, 2022) primarily based on the Company's change in use of inputs in addition to quoted prices in active markets for certain foreign stock holdings. Level 2 assets include those assets where fair value is not available from normal market pricing sources, where inputs are utilized in addition to quoted prices in active markets and where the Company does not have access to the underlying asset details within an investment fund.

The following presents additional information about the Company's investments on account of segregated fund policyholders for which the Company has utilized Level 3 inputs to determine fair value:

	March 31 2023	December 31 2022
Balance, beginning of year	**$ 14,455**	$ 13,822
Total gains (losses) included in segregated fund investment income	**(167)**	(310)
Purchases	**300**	1,011
Sales	**(11)**	(366)
Transfers into Level 3	**7**	343
Transfers out of Level 3	**(34)**	(45)
Balance, end of period	**$ 14,550**	$ 14,455

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

13. Share Capital

Common Shares

	For the three months ended March 31			
	2023		2022	
	Number	**Carrying value**	Number	Carrying value
Common shares				
Balance, beginning of year	**931,853,110**	**$ 5,791**	930,620,338	$ 5,748
Exercised and issued under stock option plan	**508,108**	**17**	1,150,972	40
Purchased and cancelled under normal course issuer bid	**(629,900)**	**(22)**	—	—
Excess of redemption proceeds over stated capital per normal course issuer bid	**—**	**18**	—	—
Balance, end of period	**931,731,318**	**$ 5,804**	931,771,310	$ 5,788

During the three months ended March 31, 2023, 508,108 common shares were exercised under the Company's stock plan with a carrying value of $17, including $2 from contributed surplus transferred upon exercise (1,150,972 with a carrying value of $40, including $4 from contributed surplus transferred upon exercise during the three months ended March 31, 2022).

On January 25, 2023, the Company announced the renewal of its normal course issuer bid (NCIB) commencing January 27, 2023 and terminating January 26, 2024 to purchase for cancellation up to but not more than 20,000,000 of its common shares at market prices.

During the three months ended March 31, 2023, the Company repurchased and subsequently cancelled 629,900 common shares under the current NCIB at a cost of $22 (nil during the three months ended March 31, 2022 under the previous NCIB). The Company's share capital was reduced by the average carrying value of the shares repurchased for cancellation. The excess paid over the average carrying value was $18 and was recognized as a reduction to accumulated surplus during the three months ended March 31, 2023 (nil during the three months ended March 31, 2022 under the previous NCIB).

14. Earnings Per Common Share

The following provides the reconciliation between basic and diluted earnings per common share:

	For the three months ended March 31	
	2023	2022
Earnings		
Net earnings	**$ 627**	$ 1,366
Preferred share dividends	**(32)**	(32)
Net earnings - common shareholders	**$ 595**	$ 1,334
Number of common shares		
Average number of common shares outstanding	**932,015,857**	931,317,508
Add: Potential exercise of outstanding stock options	**928,968**	2,060,419
Average number of common shares outstanding - diluted basis	**932,944,825**	933,377,927
Basic earnings per common share	**$ 0.64**	$ 1.43
Diluted earnings per common share	**$ 0.64**	$ 1.43
Dividends per common share	**$ 0.52**	$ 0.49

15. Capital Management

(a) Policies and Objectives

Managing capital is the continual process of establishing and maintaining the quantity and quality of capital appropriate for the Company and ensuring capital is deployed in a manner consistent with the expectations of the Company's stakeholders. For these purposes, the Board considers the key stakeholders to be the Company's shareholders, policyholders and holders of subordinated liabilities in addition to the relevant regulators in the various jurisdictions where the Company and its subsidiaries operate.

The Company manages its capital on both a consolidated basis as well as at the individual operating subsidiary level. The primary objectives of the Company's capital management strategy are:

- to maintain the capitalization of its regulated operating subsidiaries at a level that will exceed the relevant minimum regulatory capital requirements in the jurisdictions in which they operate;
- to maintain strong credit and financial strength ratings of the Company ensuring stable access to capital markets; and
- to provide an efficient capital structure to maximize shareholders' value in the context of the Company's operational risks and strategic plans.

The target level of capitalization for the Company and its subsidiaries is assessed by considering various factors such as the probability of falling below the minimum regulatory capital requirements in the relevant operating jurisdiction, the views expressed by various credit rating agencies that provide financial strength and other ratings to the Company, and the desire to hold sufficient capital to be able to honour all policyholder and other obligations of the Company with a high degree of confidence.

The Company has established policies and procedures designed to identify, measure and report all material risks. Management is responsible for establishing capital management procedures for implementing and monitoring the capital plan.

The capital planning process is the responsibility of the Company's Chief Financial Officer. The capital plan is approved by the Company's Board of Directors on an annual basis. The Board of Directors reviews and approves all capital transactions undertaken by management.

(b) Regulatory Capital

In Canada, The Office of the Superintendent of Financial Institutions (OSFI) has established a regulatory capital adequacy measurement for life insurance companies incorporated under the Insurance Companies Act (Canada) and their subsidiaries.

The Life Insurance Capital Adequacy Test (LICAT) Ratio compares the regulatory capital resources of a company to its required capital, defined by OSFI, as the aggregate of all defined capital requirements. The total capital resources are provided by the sum of Available Capital, Surplus Allowance and Eligible Deposits.

The following provides a summary of the LICAT information and ratios for Canada Life:

	March 31 2023
Tier 1 Capital	**$ 18,523**
Tier 2 Capital	**5,225**
Total Available Capital	**23,748**
Surplus Allowance & Eligible Deposits	**5,322**
Total Capital Resources	**$ 29,070**
Required Capital	**$ 22,926**
Total LICAT Ratio (OSFI Supervisory Target = 100%) [1]	**127 %**

[1] Total Ratio (%) = (Total Capital Resources / Required Capital)

Other foreign operations and foreign subsidiaries of the Company are required to comply with local capital or solvency requirements in their respective jurisdictions.

16. Pension Plans and Other Post-Employment Benefits

The total pension plans and other post-employment benefits expense included in operating expenses and other comprehensive income are as follows:

	For the three months ended March 31	
	2023	2022
Pension plans		
Service costs	**$ 70**	$ 69
Net interest	**(3)**	1
Curtailments	**2**	—
	69	70
Other post-employment benefits		
Service costs	**1**	1
Net interest	**3**	3
	4	4
Pension plans and other post-employment benefits (income) expense - Consolidated Statements of Earnings	**73**	74
Pension plans - re-measurements (gain) loss		
Actuarial (gain) loss	**234**	(845)
Return on assets (greater) less than assumed	**(113)**	467
Change in the asset ceiling	**(70)**	11
Pension plans re-measurement (gain) loss	**51**	(367)
Other post-employment benefits - re-measurements		
Actuarial (gain) loss	**6**	(45)
Pension plans and other post-employment benefits re-measurements - other comprehensive (income) loss	**57**	(412)
Total pension plans and other post-employment benefits (income) expense including re-measurements	**$ 130**	$ (338)

The following sets out the weighted average discount rate used to re-measure the defined benefit obligation for pension plans and other post-employment benefits at the following dates:

	March 31		December 31	
	2023	2022	2022	2021
Weighted average discount rate	**4.8 %**	3.5 %	5.0 %	2.6 %

17. Income Taxes

(a) Income tax expense

Income tax recognized in Consolidated Statements of Earnings:

	For the three months ended March 31	
	2023	2022
Current income taxes	**$ 175**	$ 131
Deferred income taxes	**(146)**	76
Total income tax expense	**$ 29**	$ 207

(b) Effective Income Tax Rate

The effective income tax rates are generally lower than the Company's statutory income tax rate of 28.0% due to benefits related to non-taxable investment income and lower income tax in certain foreign jurisdictions.

The overall effective income tax rate for the three months ended March 31, 2023 was 4.6% compared to 12.9% for the three months ended March 31, 2022. The effective income tax rate for the three months ended March 31, 2023 was lower than the effective income tax rate for the three months ended March 31, 2022 primarily due to jurisdictional mix of earnings and higher non-taxable investment income.

The effective income tax rate for the shareholder account for the three months ended March 31, 2023 was 6.6% compared to 14.8% for the three months ended March 31, 2022.

The effective income tax rates for the comparative figures have been restated to reflect the adoption of IFRS 17 and IFRS 9. As IFRS 17 and IFRS 9 impacted the composition of earnings in all jurisdictions, the changes in the effective income tax rates were due to the jurisdictional mix of earnings.

In December 2021, the Organization for Economic Co-operation and Development (OECD) published model rules outlining a structure for a new global 15% minimum tax regime to be implemented by participating countries at an agreed future date, currently expected (for most countries) to be 2024. Detailed commentary on the rules was released by the OECD during 2022. At this point, the countries where the Company currently operates have all indicated their participation. A number of these countries currently operate at a lower tax rate than the proposed minimum and when legislation is enacted the Company expects an increase in the effective income tax rate. The Company is awaiting the legislation and detailed guidance to assess the full implications of the minimum tax regime.

18. Segmented Information

(a) Consolidated Net Earnings

For the three months ended March 31, 2023

	Canada	United States	Europe	Capital and Risk Solutions	Lifeco Corporate	Total
Segment revenue						
Insurance revenue [1]	$ 2,357	$ 61	$ 1,472	$ 1,147	$ —	$ 5,037
Net investment income (loss) [2]	757	1,001	293	52	3	2,106
Changes in fair value on fair value through profit or loss assets [2]	1,551	1,376	469	183	(6)	3,573
	4,665	2,438	2,234	1,382	(3)	10,716
Fee and other income [3]	325	1,130	186	2	—	1,643
	4,990	3,568	2,420	1,384	(3)	12,359
Other insurance results						
Insurance service expenses	(1,682)	(46)	(1,281)	(986)	—	(3,995)
Net income (expenses) from reinsurance contracts	(334)	2	(9)	(1)	—	(342)
	(2,016)	(44)	(1,290)	(987)	—	(4,337)
Other investment results						
Net finance expenses from insurance contracts	(2,314)	(188)	(892)	(176)	—	(3,570)
Net finance income (expenses) from reinsurance contracts	17	(2)	73	5	—	93
Changes in investment contract liabilities	(34)	(1,825)	(1)	(22)	—	(1,882)
	(2,331)	(2,015)	(820)	(193)	—	(5,359)
Net investment result - insurance contracts on account of segregated fund policyholders						
Net investment income	1,272	—	449	—	—	1,721
Net finance expenses from insurance contracts	(1,272)	—	(449)	—	—	(1,721)
	—	—	—	—	—	—
Other income and expenses						
Operating and administrative expenses	(335)	(1,206)	(233)	(12)	(6)	(1,792)
Amortization of finite life intangible assets	(25)	(54)	(16)	(1)	—	(96)
Financing costs	(34)	(65)	(14)	(1)	(1)	(115)
Restructuring and integration expenses	—	(26)	—	—	—	(26)
Earnings (loss) before income taxes	249	158	47	190	(10)	634
Income taxes	33	9	(9)	(1)	(3)	29
Net earnings (loss) before non-controlling interests	216	149	56	191	(7)	605
Attributable to non-controlling interests	(22)	—	—	—	—	(22)
Net earnings (loss)	238	149	56	191	(7)	627
Preferred share dividends	28	—	4	—	—	32
Net earnings (loss) before capital allocation	210	149	52	191	(7)	595
Impact of capital allocation	23	2	(12)	(7)	(6)	—
Net earnings (loss) - common shareholders	$ 233	$ 151	$ 40	$ 184	$ (13)	$ 595

[1] Included within insurance service result in the Consolidated Statements of Earnings.
[2] Included within net investment result in the Consolidated Statements of Earnings.
[3] Included within other income and expenses in the Consolidated Statements of Earnings.

18. Segmented Information (cont'd)

For the three months ended March 31, 2022

	Canada	United States	Europe	Capital and Risk Solutions	Lifeco Corporate	Total
Segment revenue						
Insurance revenue [1]	$ 2,190	$ 45	$ 1,375	$ 1,170	$ —	$ 4,780
Net investment income (loss) [2]	716	403	349	22	(9)	1,481
Changes in fair value on fair value through profit or loss assets [2]	(5,083)	(3,666)	(2,400)	(170)	21	(11,298)
	(2,177)	(3,218)	(676)	1,022	12	(5,037)
Fee and other income [3]	310	947	193	1	—	1,451
	(1,867)	(2,271)	(483)	1,023	12	(3,586)
Other insurance results						
Insurance service expenses	(1,546)	(41)	(1,171)	(979)	—	(3,737)
Net income (expenses) from reinsurance contracts	(337)	3	(29)	1	—	(362)
	(1,883)	(38)	(1,200)	(978)	—	(4,099)
Other investment results						
Net finance income (expenses) from insurance contracts	4,744	377	2,913	193	—	8,227
Net finance income (expenses) from reinsurance contracts	(90)	(1)	(346)	(16)	—	(453)
Changes in investment contract liabilities	37	3,071	14	68	—	3,190
	4,691	3,447	2,581	245	—	10,964
Net investment result - insurance contracts on account of segregated fund policyholders						
Net investment loss	(913)	—	(471)	—	—	(1,384)
Net finance income from insurance contracts	913	—	471	—	—	1,384
	—	—	—	—	—	—
Other income and expenses						
Operating and administrative expenses	(325)	(917)	(229)	(15)	(2)	(1,488)
Amortization of finite life intangible assets	(28)	(46)	(12)	—	—	(86)
Financing costs	(33)	(48)	(6)	(1)	—	(88)
Restructuring and integration expenses	—	(17)	—	—	—	(17)
Earnings before income taxes	555	110	651	274	10	1,600
Income taxes	79	1	91	33	3	207
Net earnings before non-controlling interests	476	109	560	241	7	1,393
Attributable to non-controlling interests	28	(1)	—	—	—	27
Net earnings	448	110	560	241	7	1,366
Preferred share dividends	28	—	4	—	—	32
Net earnings before capital allocation	420	110	556	241	7	1,334
Impact of capital allocation	23	2	(12)	(7)	(6)	—
Net earnings - common shareholders	$ 443	$ 112	$ 544	$ 234	$ 1	$ 1,334

[1] Included within insurance service result in the Consolidated Statements of Earnings.
[2] Included within net investment result in the Consolidated Statements of Earnings.
[3] Included within other income and expenses in the Consolidated Statements of Earnings.

Income by source currency for Capital and Risk Solutions:

	For the three months ended March 31	
	2023	2022
Income		
United States	$ **394**	$ 148
United Kingdom	**491**	448
Japan	**158**	(103)
Other	**341**	530
Total income	$ **1,384**	$ 1,023

Negative income in the table above is primarily due to unrealized fair value losses through profit or loss on bonds.

(b) Consolidated Total Assets and Liabilities

	March 31, 2023				
	Canada	**United States**	**Europe**	**Capital and Risk Solutions**	**Total**
Assets					
Invested assets	$ **87,553**	$ **90,716**	$ **39,142**	$ **8,787**	$ **226,198**
Insurance contract assets	**406**	**235**	**345**	**172**	**1,158**
Reinsurance contract held assets	**1,242**	**12,464**	**3,794**	**101**	**17,601**
Goodwill and intangible assets	**5,801**	**7,939**	**3,106**	**—**	**16,846**
Other assets	**3,874**	**17,465**	**3,385**	**180**	**24,904**
Investments on account of segregated fund policyholders	**97,426**	**174,625**	**133,095**	**—**	**405,146**
Total	$ **196,302**	$ **303,444**	$ **182,867**	$ **9,240**	$ **691,853**
Liabilities					
Insurance contract liabilities	$ **77,345**	$ **18,512**	$ **36,790**	$ **6,118**	$ **138,765**
Investment contract liabilities	**3,807**	**89,714**	**377**	**714**	**94,612**
Reinsurance contract held liabilities	**165**	**171**	**229**	**(16)**	**549**
Other liabilities	**7,762**	**12,321**	**2,988**	**673**	**23,744**
Insurance contracts on account of segregated fund policyholders	**33,094**	**12,821**	**13,520**	**—**	**59,435**
Investment contracts on account of segregated fund policyholders	**64,332**	**161,804**	**119,575**	**—**	**345,711**
Total	$ **186,505**	$ **295,343**	$ **173,479**	$ **7,489**	$ **662,816**

18. Segmented Information (cont'd)

	December 31, 2022				
	Canada	United States	Europe	Capital and Risk Solutions	Total
Assets					
Invested assets	$ 85,343	$ 90,655	$ 38,652	$ 8,573	$ 223,223
Insurance contract assets	408	245	322	165	1,140
Reinsurance contract held assets	1,211	12,624	3,639	97	17,571
Goodwill and intangible assets	5,789	7,973	3,079	—	16,841
Other assets	3,682	18,430	3,297	140	25,549
Investments on account of segregated fund policyholders	93,816	166,274	127,792	—	387,882
Total	$ 190,249	$ 296,201	$ 176,781	$ 8,975	$ 672,206
Liabilities					
Insurance contract liabilities	$ 75,058	$ 18,669	$ 35,670	$ 6,041	$ 135,438
Investment contract liabilities	3,635	90,139	323	713	94,810
Reinsurance contract held liabilities	164	167	226	(20)	537
Other liabilities	7,809	13,202	3,089	644	24,744
Insurance contracts on account of segregated fund policyholders	32,535	12,432	12,874	—	57,841
Investment contracts on account of segregated fund policyholders	61,281	153,842	114,918	—	330,041
Total	$ 180,482	$ 288,451	$ 167,100	$ 7,378	$ 643,411

Assets by source currency for Capital and Risk Solutions:

	March 31, 2023	December 31, 2022
Assets		
United States	**$ 4,125**	$ 4,070
United Kingdom	**1,325**	1,317
Japan	**3,398**	3,279
Other	**392**	309
Total assets	**$ 9,240**	$ 8,975

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IGM Financial Inc.

PART C

Management's Discussion and Analysis

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Financial Statements and Notes

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Please note that the bottom of each page in Part C contains two different page numbers. A page number with the prefix "C" refers to the number of such page in this document and the page number without any prefix refers to the number of such page in the original document issued by IGM Financial Inc.

The attached documents concerning IGM Financial Inc. are documents prepared and publicly disclosed by such subsidiary, and are available under such subsidiary's profile on SEDAR at www.sedar.com. Certain statements in the attached documents, other than statements of historical fact, are forward-looking statements based on certain assumptions and reflect the current expectations of the subsidiary as set forth therein. Forward-looking statements are provided for the purposes of assisting the reader in understanding the subsidiary's financial performance, financial position and cash flows as at and for the periods ended on certain dates and to present information about the subsidiary's management's current expectations and plans relating to the future and the reader is cautioned that such statements may not be appropriate for other purposes.

By its nature, forward-looking information is subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved.

For further information provided by the subsidiary as to the material factors that could cause actual results to differ materially from the content of forward-looking statements, the material factors and assumptions that were applied in making the forward-looking statements, and the subsidiary's policy for updating the content of forward-looking statements, please see the attached documents, including the section entitled Forward-Looking Statements. The reader is cautioned to consider these factors and assumptions carefully and not to put undue reliance on forward-looking statements.

Management’s Discussion and Analysis

The Management’s Discussion and Analysis (MD&A) presents management’s view of the results of operations and financial condition of IGM Financial Inc. (IGM Financial or the Company) as at and for the three months ended March 31, 2023 and should be read in conjunction with the unaudited Interim Condensed Consolidated Financial Statements (Interim Financial Statements), as well as the 2022 IGM Financial Inc. Annual Report filed on www.sedar.com. Commentary in the MD&A as at and for the three months ended March 31, 2023 is as of May 3, 2023.

Basis of Presentation and Summary of Accounting Policies

The Interim Financial Statements of IGM Financial, which are the basis of the information presented in the Company’s MD&A, have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* (IFRS) and are presented in Canadian dollars (Note 2 of the Interim Financial Statements).

Forward-looking Statements

Certain statements in this report, other than statements of historical fact, are forward-looking statements based on certain assumptions and reflect IGM Financial’s current expectations. Forward-looking statements are provided to assist the reader in understanding the Company’s financial position and results of operations as at and for the periods ended on certain dates and to present information about management’s current expectations and plans relating to the future. Readers are cautioned that such statements may not be appropriate for other purposes. These statements may include, without limitation, statements regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook of the Company, as well as the outlook for North American and international economies, for the current fiscal year and subsequent periods. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as “expects”, “anticipates”, “plans”, “believes”, “estimates”, “seeks”, “intends”, “targets”, “projects”, “forecasts” or negative versions thereof and other similar expressions, or future or conditional verbs such as “may”, “will”, “should”, “would” and “could”.

This information is based upon certain material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection as reflected in the forward-looking statements, including the perception of historical trends, current conditions and expected future developments, as well as other factors that are believed to be appropriate in the circumstances. While the Company considers these assumptions to be reasonable based on information currently available to management, they may prove to be incorrect.

By its nature, this information is subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved.

A variety of material factors, many of which are beyond the Company’s and its subsidiaries’ control, affect the operations, performance and results of the Company, and its subsidiaries, and their businesses, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. These factors include, but are not limited to: the impact or unanticipated impact of general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, management of market liquidity and funding risks, changes in accounting policies and methods used to report financial condition (including uncertainties associated with critical accounting assumptions and estimates), the effect of applying future accounting changes, operational and reputational risks, business competition, technological change, changes in government regulations and legislation, changes in tax laws, unexpected judicial or regulatory proceedings, catastrophic events, outbreaks of disease or pandemics (such as COVID-19), the Company’s ability to complete strategic transactions, integrate acquisitions and implement other growth strategies, and the Company’s and its subsidiaries’ success in anticipating and managing the foregoing factors.

The reader is cautioned that the foregoing list is not exhaustive of the factors that may affect any of the Company’s forward-looking statements. The reader is also cautioned to consider these and other factors, uncertainties and potential events carefully and not place undue reliance on forward-looking statements.

Other than as specifically required by applicable Canadian law, the Company undertakes no obligation to update any forward-looking statements to reflect events or circumstances after the date on which such statements are made, or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results, or otherwise.

Additional information about the risks and uncertainties of the Company’s business and material factors or assumptions on which information contained in forward-looking statements is based is provided in its disclosure materials, including this Management’s Discussion and Analysis and its most recent Annual Information Form, filed with the securities regulatory authorities in Canada, available at www.sedar.com.

Non-IFRS Financial Measures and Other Financial Measures

This report contains Non-IFRS financial measures and non-IFRS ratios that do not have standard meanings prescribed by IFRS and may not be directly comparable to similar measures used by other companies. These measures and ratios are used to provide management, investors and investment analysts with additional measures to assess earnings performance.

Non-IFRS financial measures include, but are not limited to, "adjusted net earnings available to common shareholders", "adjusted net earnings", "adjusted earnings before income taxes", "adjusted earnings before interest and taxes" (Adjusted EBIT), "earnings before interest, taxes, depreciation and amortization before sales commissions" (EBITDA before sales commissions), and "earnings before interest, taxes, depreciation and amortization after sales commissions" (EBITDA after sales commissions). These measures exclude other items which are items of a non-recurring nature, or that could make the period-over-period comparison of results from operations less meaningful. EBITDA before sales commissions excludes all sales commissions. EBITDA after sales commissions includes all sales commissions and highlights aggregate cash flows.

Non-IFRS ratios include the following:

Ratio	Numerator	Denominator
Adjusted earnings per share (Adjusted EPS)	Adjusted net earnings available to common shareholders	Average number of outstanding common shares on a diluted basis
Return (Adjusted return) on equity (ROE, Adjusted ROE)	Net earnings (Adjusted net earnings) available to common shareholders	Average shareholders' equity excluding non-controlling interest
ROE (Adjusted ROE) excluding the impact of fair value through other comprehensive income investments	Net earnings (Adjusted net earnings) available to common shareholders	Average shareholders' equity excluding non-controlling interest and the impact of fair value through other comprehensive income investments net of tax

Refer to the appropriate reconciliations of non-IFRS financial measures, including as components of non-IFRS ratios, to reported results in accordance with IFRS in Tables 1, 2 and 3.

This report also contains other financial measures which include:

- **Assets Under Management and Advisement (AUM&A)** represents the consolidated AUM and AUA of IGM Financial. In the Wealth Management segment, AUM is a component part of AUA. All instances where the asset management segment is providing investment management services or distributing its products through the Wealth Management segment are eliminated in our reporting such that there is no double-counting of the same client savings held at IGM Financial's operating companies.
- **Assets Under Advisement (AUA)** are the key driver of the Wealth Management segment. AUA are savings and investment products held within client accounts of our Wealth Management segment operating companies.
- **Assets Under Management (AUM)** are the key driver of the Asset Management segment. AUM are a secondary driver of revenues and expenses within the Wealth Management segment in relation to its investment management activities. AUM are client assets where we provide investment management services, and include investment funds where we are the fund manager, investment advisory mandates to institutions, and other client accounts where we have discretionary portfolio management responsibilities.
- **Working Capital** which consists of current assets less current liabilities excluding assets and liabilities not reflective of ongoing operations.

PART C
IGM FINANCIAL INC.

IGM Financial Inc.

Summary of Consolidated Operating Results

IGM Financial Inc. (TSX:IGM) is a leading wealth and asset management company supporting advisors and the clients they serve in Canada, and institutional investors throughout North America, Europe and Asia. The Company operates through a number of operating subsidiaries and also holds a number of strategic investments that provide benefits to these subsidiaries while furthering the Company's growth prospects. The Company's principle operating subsidiaries are wealth manager IG Wealth Management (IG) and asset manager Mackenzie Investments (Mackenzie). The Company also operates through wealth manager Investment Planning Counsel (IPC) and has strategic investments in Great-West Lifeco Inc. (Lifeco), China Asset Management Co., Ltd. (ChinaAMC), Northleaf Capital Group Ltd. (Northleaf), and Wealthsimple Financial Corp. (Wealthsimple) as described more fully later in this MD&A.

IGM Financial's assets under management and advisement were $260.4 billion as at March 31, 2023, compared with $268.3 billion at March 31, 2022 and $249.4 billion at December 31, 2022, as detailed in Table 5. Average total assets under management and advisement for the first quarter of 2023 were $257.6 billion compared to $269.5 billion in the first quarter of 2022.

Total assets under management were $225.9 billion at March 31, 2023, compared with $237.1 billion at March 31, 2022 and $217.0 billion at December 31, 2022. Average total assets under management for the first quarter of 2023 were $223.8 billion compared to $238.4 billion in the first quarter of 2022.

Net earnings available to common shareholders for the three months ended March 31, 2023 were $381.3 million or $1.60 per share compared with net earnings available to common shareholders of $219.3 million or $0.91 per share for the comparative period in 2022, an increase of 75.8% in earnings per share.

Adjusted net earnings available to common shareholders, excluding other items outlined below, for the three months ended March 31, 2023 were $206.5 million or $0.87 per share compared to adjusted net earnings available to common shareholders of $219.3 million or $0.91 per share in 2022.

Other items for the three months ended March 31, 2023 consisted of a gain on the sale of a portion of the Company's investment in Lifeco of $174.8 million after-tax ($179.1 million pre-tax).

Shareholders' equity was $6.4 billion as at March 31, 2023, compared to $6.1 billion at December 31, 2022. Adjusted ROE (a non-IFRS ratio – see Non-IFRS Financial Measures and Other Financial Measures) for the three months ended March 31, 2023 was 13.3% compared with 14.0% for the comparative period in 2022. Adjusted ROE excluding the impact of fair value through other comprehensive income investments (a non-IFRS ratio – see Non-IFRS Financial Measures and Other Financial Measures) for the three months ended March 31, 2023 was 14.0% compared with 16.1% for the comparative period in 2022. The quarterly dividend per common share declared in the first quarter of 2023 was 56.25 cents, unchanged from the fourth quarter of 2022.

2023 Developments

Rockefeller Capital Management (Rockefeller)

On April 3, 2023, IGM Financial purchased a 20.5% equity interest in Rockefeller Capital Management (Rockefeller), a leading U.S. independent financial services advisory firm, for consideration of approximately USD $622 million.

Highlights of the Rockefeller transaction include:

- the expansion of IGM's wealth management footprint, through Rockefeller, into the U.S., with a brand and business model focused on the high-net-worth and ultra-high-net-worth segments;
- a strategic ownership position with two board seats and rights enhancing IGM's opportunity to increase its equity interest in Rockefeller in the future; and
- the opportunity for knowledge sharing and collaboration between Rockefeller and IGM's wealth management business, IG Wealth Management.

Concurrently with the Rockefeller transaction, IGM announced that it has entered into an agreement to sell 100% of Investment Planning Counsel Inc. (IPC) to The Canada Life Assurance Company (Canada Life) for $575 million. Payment for the Rockefeller transaction of USD $622 million is due June 2, 2023.

Investment Planning Counsel Inc. (IPC) – Discontinued Operations

On April 3, 2023, IGM Financial announced the sale of 100% of the common shares of Investment Planning Counsel Inc. (IPC) for cash consideration of $575 million. The transaction is expected to close by the end of 2023, subject to regulatory approvals.

In accordance with IFRS 5 – *Non-Current Assets Held for Sale and Discontinued Operations*, the operating results and cash flows of IPC have been classified as discontinued operations within the Wealth Management segment. The related assets and liabilities have been classified as assets and liabilities held for sale.

Net earnings from discontinued operations for all periods under review are reported as a separate line item in Tables 2 and 3 – *Consolidated Operating Results by Segment,* and Table 6 – *Summary of Quarterly Results*.

China Asset Management Co., Ltd. (ChinaAMC)

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 4.0% to 2.4%. The Company recorded a gain on sale of the Lifeco shares of $174.8 million, net of tax. 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.

Benefits of the ChinaAMC acquisition include:

- Enhancing participation in the rapidly growing Chinese asset management industry, through a meaningful ownership position in one of the leading asset managers in China.
- Reinforcing relationships and business opportunities between Mackenzie and ChinaAMC as Mackenzie builds global, fully diversified and differentiated solutions for its clients and strengthens distribution opportunities in China.
- Simplifying the IGM Financial and Power organization structure by consolidating the ChinaAMC ownership position at Mackenzie.

Market Overview

Financial market returns were positive for the first quarter of 2023:

- The S&P TSX Composite total return index increased by 4.6% in the first quarter of 2023. In 2022, there was an increase of 3.8% in the first quarter and a decrease of 5.8% for the year.
- U.S. equity markets, as measured by the S&P 500 total return index, increased by 7.5% in the first quarter of 2023. In 2022,

Table 1: Reconciliation of Non-IFRS Financial Measures

	Three months ended		
($ millions except EPS)	**2023 Mar. 31**	2022 Dec. 31	2022 Mar. 31
Adjusted net earnings available to common shareholders(1)	**$ 206.5**	$ 224.7	$ 219.3
Gain on sale of Lifeco, net of tax	**174.8**	–	–
Net earnings available to common shareholders	**$ 381.3**	$ 224.7	$ 219.3
Adjusted earnings per share(1)	**$ 0.87**	$ 0.94	$ 0.91
Gain on sale of Lifeco, net of tax	**0.73**	–	–
Earnings per share(2)	**$ 1.60**	$ 0.94	$ 0.91
Average outstanding shares – Diluted *(thousands)*	**238,424**	237,958	241,251
EBITDA before sales commissions(1)	**$ 344.3**	$ 366.1	$ 360.0
Sales–based commissions paid	**(33.3)**	(22.2)	(49.5)
EBITDA after sales commissions(1)	**311.0**	343.9	310.5
Sales–based commissions paid subject to amortization	**33.3**	22.2	44.5
Amortization of capitalized sales commissions	**(21.9)**	(20.9)	(17.7)
Amortization of capital, intangible and other assets	**(26.2)**	(26.2)	(25.3)
Adjusted earnings before interest and income taxes(1)	**296.2**	319.0	312.0
Interest expense(3)	**28.2**	28.7	28.1
Adjusted earnings before income taxes – continuing and discontinued operations(1)	**268.0**	290.3	283.9
Income taxes	**60.3**	63.3	63.8
Adjusted net earnings(1)	**207.7**	227.0	220.1
Gain on sale of Lifeco, net of tax	**174.8**	–	–
Net earnings	**$ 382.5**	$ 227.0	$ 220.1

(1) A non-IFRS financial measure – see Non-IFRS Financial Measures and Other Financial Measures section of this document.
(2) Diluted earnings per share.
(3) Interest expense includes interest on long-term debt and leases.

there was a decrease of 4.6% in the first quarter and 18.1% for the year.

- European equity markets, as measured by the MSCI Europe net total return index, increased by 8.6% in the first quarter of 2023. In 2022, there was a decrease of 5.3% in the first quarter and 9.5% for the year.
- Asian equity markets, as measured by the MSCI AC Asia Pacific net total return index, increased by 4.8% in the first quarter of 2023. In 2022, there was a decrease of 6.0% in the first quarter and a decrease of 17.2% for the year.
- The FTSE TMX Canada Universe Bond total return index increased by 3.2% in the first quarter of 2023. In 2022, there was a decrease of 7.0% in the first quarter and a decrease of 11.7% for the year.
- Our clients experienced average investment returns of 4.4% in the first quarter of 2023. In 2022, client investment returns were -4.6% in the first quarter and -9.9% for the year.

IGM Financial's assets under management and advisement increased by 4.4% from $249.4 billion at December 31, 2022 to $260.4 billion at March 31, 2023. See Table 27 for the composition of IGM Financial's assets under management by asset class.

Reportable Segments

The Company's reportable segments are Wealth Management, Asset Management and Strategic Investments & Other and reflect the Company's internal financial reporting and performance measurement (Tables 2 and 3):

- ***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, which has been classified as discontinued operations. These firms are retail distribution organizations that 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 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, as well as unallocated capital. Investments are classified in this segment (as opposed to the Wealth Management or Asset Management segment) when warranted due to different market segments, growth profiles or other unique characteristics.

Assets Under Management and Advisement (AUM&A) represents the consolidated AUM and AUA of IGM Financial. In the Wealth Management segment, AUM is a component part of AUA. All instances where the asset management segment is providing investment management services or distributing its products through the Wealth Management segment are eliminated in our reporting such that there is no double-counting of the same client savings held at IGM Financial's operating companies.

Assets Under Advisement (AUA) are the key driver of the Wealth Management segment. AUA are savings and investment products held within client accounts of our Wealth Management segment operating companies.

Assets Under Management (AUM) are the key driver of the Asset Management segment. AUM are a secondary driver of revenues and expenses within the Wealth Management segment in relation to its investment management activities. AUM are client assets where we provide investment management services, and include investment funds where we are the fund manager, investment advisory mandates to institutions, and other client accounts where we have discretionary portfolio management responsibilities.

Financial Presentation

The financial presentation includes revenues and expenses to align with the key drivers of business activity and to reflect our emphasis on business growth and operational efficiency. The categories are as follows:

- ***Wealth management revenue*** – revenues earned by the Wealth Management segment for providing financial planning, investment advisory and related financial services. Revenues include financial advisory fees, investment management and related administration fees, distribution revenue associated with insurance and banking products and services, and revenue relating to mortgage lending activities.
- ***Asset management revenue*** – revenues earned by the Asset Management segment related to investment management advisory and administrative services.

Table 2: Consolidated Operating Results by Segment – Q1 2023 vs. Q1 2022

	Wealth Management		Asset Management		Strategic Investments & Other		Intersegment Eliminations		Total	
Three months ended *($ millions)*	**2023 Mar. 31**	2022 Mar. 31	**2023 Mar. 31**	2022 Mar. 31	**2023 Mar. 31**	2022 Mar. 31	**2023 Mar. 31**	2022 Mar. 31	**2023 Mar. 31**	2022 Mar. 31
Revenues										
Wealth management	**$ 535.7**	$ 561.2	**$ –**	$ –	**$ –**	$ –	**$ (1.6)**	$ –	**$ 534.1**	$ 561.2
Asset management	**–**	–	**261.8**	284.8	**–**	–	**(25.7)**	(28.7)	**236.1**	256.1
Dealer compensation expense	**–**	–	**(78.7)**	(91.1)	**–**	–	**(0.6)**	–	**(79.3)**	(91.1)
Net asset management	**–**	–	**183.1**	193.7	**–**	–	**(26.3)**	(28.7)	**156.8**	165.0
Net investment income and other	**3.4**	(0.6)	**4.5**	(2.6)	**3.4**	0.7	**(0.3)**	–	**11.0**	(2.5)
Proportionate share of associates' earnings	**–**	–	**–**	–	**53.0**	48.4	**–**	–	**53.0**	48.4
	539.1	560.6	**187.6**	191.1	**56.4**	49.1	**(28.2)**	(28.7)	**754.9**	772.1
Expenses										
Advisory and business development	**223.0**	224.8	**22.7**	20.2	**–**	–	**–**	–	**245.7**	245.0
Operations and support	**108.2**	108.7	**92.5**	93.1	**1.1**	1.4	**–**	(0.1)	**201.8**	203.1
Sub-advisory	**42.6**	44.6	**1.1**	1.5	**–**	–	**(27.9)**	(28.7)	**15.8**	17.4
	373.8	378.1	**116.3**	114.8	**1.1**	1.4	**(27.9)**	(28.8)	**463.3**	465.5
Adjusted earnings before interest and taxes[1]	**165.3**	182.5	**71.3**	76.3	**55.3**	47.7	**(0.3)**	0.1	**291.6**	306.6
Interest expense[2]	**22.3**	22.1	**5.8**	5.8	**–**	–	**–**	–	**28.1**	27.9
Adjusted earnings before income taxes[1]	**143.0**	160.4	**65.5**	70.5	**55.3**	47.7	**(0.3)**	0.1	**263.5**	278.7
Income taxes	**38.4**	42.8	**17.1**	18.4	**3.6**	1.1	**(0.1)**	–	**59.0**	62.3
Adjusted net earnings – continuing operations[1]	**104.6**	117.6	**48.4**	52.1	**51.7**	46.6	**(0.2)**	0.1	**204.5**	216.4
Net earnings – discontinued operations	**3.0**	3.8	**–**	–	**–**	–	**0.2**	(0.1)	**3.2**	3.7
Adjusted net earnings[1]	**107.6**	121.4	**48.4**	52.1	**51.7**	46.6	**–**	–	**207.7**	220.1
Non-controlling interest	**0.2**	–	**–**	–	**1.0**	0.8	**–**	–	**1.2**	0.8
Adjusted net earnings available to common shareholders[1]	**$ 107.4**	$ 121.4	**$ 48.4**	$ 52.1	**$ 50.7**	$ 45.8	**$ –**	$ –	**206.5**	219.3
Other items[1], net of tax										
Gain on sale of Lifeco, net of tax									**174.8**	–
Net earnings available to common shareholders									**$ 381.3**	$ 219.3

(1) A non-IFRS financial measure – see Non-IFRS Financial Measures and Other Financial Measures section of this document.
(2) Interest expense includes interest on long-term debt and leases.

- ***Dealer compensation*** – asset-based and sales-based compensation paid to dealers by the Asset Management segment.
- ***Advisory and business development expenses*** – expenses incurred on activities directly associated with providing financial planning services to clients of the Wealth Management segment and wholesale distribution activities performed by the Asset Management segment. Expenses include compensation, recognition and other support provided to our advisors, field management, product & planning specialists; expenses associated with facilities, technology and training relating to our advisors and specialists; other business development activities including direct marketing and advertising. A significant component of these expenses varies directly with levels of assets under management or advisement, business development measures including sales and client acquisition, and the number of advisor and client relationships.

Table 3: Consolidated Operating Results by Segment – Q1 2023 vs. Q4 2022

Three months ended ($ millions)	Wealth Management 2023 Mar. 31	Wealth Management 2022 Dec. 31	Asset Management 2023 Mar. 31	Asset Management 2022 Dec. 31	Strategic Investments & Other 2023 Mar. 31	Strategic Investments & Other 2022 Dec. 31	Intersegment Eliminations 2023 Mar. 31	Intersegment Eliminations 2022 Dec. 31	Total 2023 Mar. 31	Total 2022 Dec. 31
Revenues										
Wealth management	**$ 535.7**	$ 530.8	**$ –**	$ –	**$ –**	$ –	**$ (1.6)**	$ –	**$ 534.1**	$ 530.8
Asset management	**–**	–	**261.8**	260.5	**–**	–	**(25.7)**	(27.0)	**236.1**	233.5
Dealer compensation expense	**–**	–	**(78.7)**	(76.9)	**–**	–	**(0.6)**	(0.1)	**(79.3)**	(77.0)
Net asset management	**–**	–	**183.1**	183.6	**–**	–	**(26.3)**	(27.1)	**156.8**	156.5
Net investment income and other	**3.4**	2.1	**4.5**	5.6	**3.4**	7.4	**(0.3)**	(0.2)	**11.0**	14.9
Proportionate share of associates' earnings	**–**	–	**–**	–	**53.0**	65.4	**–**	–	**53.0**	65.4
	539.1	532.9	**187.6**	189.2	**56.4**	72.8	**(28.2)**	(27.3)	**754.9**	767.6
Expenses										
Advisory and business development	**223.0**	217.2	**22.7**	21.3	**–**	–	**–**	–	**245.7**	238.5
Operations and support	**108.2**	108.8	**92.5**	90.9	**1.1**	0.4	**–**	(0.1)	**201.8**	200.0
Sub-advisory	**42.6**	41.5	**1.1**	1.0	**–**	–	**(27.9)**	(27.0)	**15.8**	15.5
	373.8	367.5	**116.3**	113.2	**1.1**	0.4	**(27.9)**	(27.1)	**463.3**	454.0
Adjusted earnings before interest and taxes(1)	**165.3**	165.4	**71.3**	76.0	**55.3**	72.4	**(0.3)**	(0.2)	**291.6**	313.6
Interest expense(2)	**22.3**	22.6	**5.8**	5.9	**–**	–	**–**	–	**28.1**	28.5
Adjusted earnings before income taxes(1)	**143.0**	142.8	**65.5**	70.1	**55.3**	72.4	**(0.3)**	(0.2)	**263.5**	285.1
Income taxes	**38.4**	38.2	**17.1**	18.8	**3.6**	4.8	**(0.1)**	–	**59.0**	61.8
Adjusted net earnings – continuing operations(1)	**104.6**	104.6	**48.4**	51.3	**51.7**	67.6	**(0.2)**	(0.2)	**204.5**	223.3
Net earnings – discontinued operations	**3.0**	3.5	**–**	–	**–**	–	**0.2**	0.2	**3.2**	3.7
Adjusted net earnings(1)	**107.6**	108.1	**48.4**	51.3	**51.7**	67.6	**–**	–	**207.7**	227.0
Non-controlling interest	**0.2**	0.2	**–**	–	**1.0**	2.1	**–**	–	**1.2**	2.3
Adjusted net earnings available to common shareholders(1)	**$ 107.4**	$ 107.9	**$ 48.4**	$ 51.3	**$ 50.7**	$ 65.5	**$ –**	$ –	**206.5**	224.7
Other items(1), net of tax										
Gain on sale of Lifeco, net of tax									**174.8**	–
Net earnings available to common shareholders									**$ 381.3**	$ 224.7

(1) A non-IFRS financial measure – see Non-IFRS Financial Measures and Other Financial Measures section of this document.
(2) Interest expense includes interest on long-term debt and leases.

- ***Operations and support expenses*** – expenses associated with business operations, including technology and business processes; in-house investment management and product shelf management; corporate management and support functions. These expenses primarily reflect compensation, technology and other service provider expenses.
- ***Sub-advisory expenses*** – reflects fees relating to investment management services provided by third party or related party investment management organizations. These fees typically are variable with the level of assets under management. These fees include investment advisory services performed for the Wealth Management segment by the Asset Management segment.

Interest expense represents interest expense on long-term debt and leases. Interest expense is allocated to each segment based on management's assessment of: i) capacity to service the debt, and ii) where the debt is being serviced.

Table 4: Effective Income Tax Rate

Three months ended	**2023 Mar. 31**	2022 Dec. 31	2022 Mar. 31
Income taxes at Canadian federal and provincial statutory rates	**26.71 %**	26.61 %	26.63 %
Effect of:			
Proportionate share of associates' earnings	**(2.52)**	(5.51)	(4.08)
Other items	**0.08**	0.70	(0.10)
Effective income tax rate – adjusted net earnings	**24.27**	21.80	22.45
Gain on sale of Lifeco	**(9.82)**	–	–
Effective income tax rate – net earnings available to common shareholders	**14.45 %**	21.80 %	22.45 %

Income taxes are reported in each segment. IGM Financial consolidated changes in the effective tax rates are detailed in Table 4.

Tax planning may result in the Company recording lower levels of income taxes. Management monitors the status of its income tax filings and regularly assesses the overall adequacy of its provision for income taxes and, as a result, income taxes recorded in prior years may be adjusted in the current year. The effect of changes in management's best estimates reported in adjusted net earnings is reflected in Other, which also includes, but is not limited to, the effect of lower effective income tax rates on foreign operations.

Other items, as reflected in Tables 2 and 3, include the after-tax impact of any item that management considers to be of a non-recurring nature or that could make the period-over-period comparison of results from operations less meaningful and are not allocated to segments.

Other items in the first quarter of 2023 included a gain on the sale of a portion of the Company's investment in Lifeco of $174.8 million after-tax ($179.1 million pre-tax).

Total Assets Under Management and Advisement

Assets under management and advisement were $260.4 billion at March 31, 2023 compared to $268.3 billion at March 31, 2022, a decrease of 2.9%, as detailed in Table 5. Total assets under management were $225.9 billion at March 31, 2023 compared to $237.1 billion at March 31, 2022, a decrease of 4.7%.

Net inflows in the first quarter of 2023 were $990 million compared to net inflows of $2.5 billion in the first quarter of 2022, as detailed in Table 5. First quarter investment fund net redemptions were $147 million compared to net sales of $2.5 billion in 2022. Net flows and net sales are based on assets under management and advisement excluding sub-advisory assets to Canada Life and to the Wealth Management segment.

The Company also benefits from the underlying assets under management of the Company's investments in associates, including ChinaAMC and Northleaf. This AUM is not currently reported as the Company's AUM&A.

At March 31, 2023, ChinaAMC's AUM was RMB¥ 1,772.4 billion ($349.0 billion) compared to RMB¥ 1,598.8 billion ($315.2 billion) at March 31, 2022, an increase of 10.9% (CAD$ 10.7%). IGM Financial held a 13.9% interest in ChinaAMC on December 31, 2022, which was increased to 27.8% on January 12, 2023.

At March 31, 2023, Northleaf's AUM was $24.7 billion compared to $20.3 billion at March 31, 2022, an increase of 21.7%. IGM Financial holds a 56% economic interest in Northleaf.

Changes in assets under management for the Wealth Management and Asset Management segments are discussed further in each of their respective Review of the Business sections in the MD&A.

Summary of Quarterly Results

The Summary of Quarterly Results in Table 6 includes the eight most recent quarters and the reconciliation of non-IFRS financial measures to net earnings in accordance with IFRS.

Changes in average daily investment fund assets under management over the eight most recent quarters, as shown in Table 6, largely reflect the impact of changes in domestic and foreign markets and net sales of the Company.

Table 5: Assets Under Management and Advisement

($ millions)	Wealth Management				Asset Management(1)					
	IG Wealth Management(2)		Investment Planning Counsel		Mackenzie Investments		Intercompany Eliminations(3)		Consolidated	
	2023 Mar. 31	2022 Mar. 31	**2023 Mar. 31**	2022 Mar. 31	**2023 Mar. 31**	2022 Mar. 31	**2023 Mar. 31**	2022 Mar. 31	**2023 Mar. 31**	2022 Mar. 31
Three months ended										
Gross flows										
Mutual fund gross sales(4)	**$ 3,021**	$ 3,902	**$ 310**	$ 203	**$ 2,289**	$ 2,921	**$ –**	$ –	**$ 5,620**	$ 7,026
Dealer gross inflows	**3,663**	4,000	**1,349**	1,342	**–**	–	**–**	–	**5,012**	5,342
Net flows										
Mutual fund net sales(4)	**(273)**	1,264	**54**	(62)	**86**	582	**–**	–	**(133)**	1,784
ETF net creations(5)	**–**	–	**–**	–	**(14)**	718	**–**	–	**(14)**	718
Investment fund net sales	**(273)**	1,264	**54**	(62)	**72**	1,300	**–**	–	**(147)**	2,502
Institutional SMA net sales(6)	**–**	–	**–**	–	**98**	(427)	**–**	–	**98**	(427)
IGM product net sales	**(273)**	1,264	**54**	(62)	**170**	873	**–**	–	**(49)**	2,075
Other dealer net flows	**777**	202	**259**	222	**–**	–	**3**	(33)	**1,039**	391
Total net flows	**504**	1,466	**313**	160	**170**	873	**3**	(33)	**990**	2,466
Assets under Management and Advisement										
Wealth Management(4)										
AUM	**$104,069**	$ 107,187	**$ 4,834**	$ 5,201			**$ –**	$ –	**$ 108,903**	$ 112,388
Other AUA	**11,804**	9,094	**26,092**	26,533			**(7)**	(10)	**37,889**	35,617
AUA	**115,873**	116,281	**30,926**	31,734			**(7)**	(10)	**146,792**	148,005
Asset Management										
Mutual funds					**$ 56,490**	$ 60,291			**56,490**	60,291
ETFs					**5,086**	5,848			**5,086**	5,848
Investment funds					**61,576**	66,139			**61,576**	66,139
Institutional SMA					**6,826**	7,090			**6,826**	7,090
Sub-advisory to Canada Life					**48,582**	51,502			**48,582**	51,502
Total Institutional SMA					**55,408**	58,592			**55,408**	58,592
Third Party AUM					**116,984**	124,731			**116,984**	124,731
Sub-advisory and AUM to Wealth Management					**76,785**	80,814			**76,785**	80,814
Total AUM					**193,769**	205,545			**193,769**	205,545
ETFs										
Distributed to third parties					**5,086**	5,848			**5,086**	5,848
Held within IGM managed products					**7,763**	7,059	**(7,763)**	(7,059)	**–**	–
Total ETFs					**12,849**	12,907	**(7,763)**	(7,059)	**5,086**	5,848
Consolidated										
AUM	**104,069**	107,187	**4,834**	5,201	**193,769**	205,545	**(76,785)**	(80,814)	**225,887**	237,119
Other AUA	**11,804**	9,094	**26,092**	26,533	**–**	–	**(3,335)**	(4,418)	**34,561**	31,209
AUM&A	**115,873**	116,281	**30,926**	31,734	**193,769**	205,545	**(80,120)**	(85,232)	**260,448**	268,328

(1) Asset Management flows activity excludes sub-advisory to Canada Life and the Wealth Management segment.
(2) Effective January 2023, Mackenzie Investment fund products sold through IG Wealth Management are reported within IG Wealth Management's AUM and Mackenzie Sub-advisory and AUM to Wealth Management.
(3) Consolidated results eliminate double counting where business is reflected within multiple segments.
(4) IG Wealth Management and Investment Planning Counsel AUM and net sales include separately managed accounts.
(5) ETFs – During the first quarter of 2022, Wealthsimple made allocation changes which resulted in $675 million in purchases in Mackenzie ETFs.
(6) Sub-advisory, institutional and other accounts:
2022 Q1 – an institutional investor redeemed $291 million within products Mackenzie sub-advises.

Table 6: Summary of Quarterly Results

	2023 Q1	2022 Q4	2022 Q3	2022 Q2	2022 Q1	2021 Q4	2021 Q3	2021 Q2
Consolidated statements of earnings *($ millions)*								
Revenues								
Wealth management	**$ 534.1**	$ 530.8	$ 532.6	$ 535.3	$ 561.2	$ 582.7	$ 572.0	$ 549.1
Asset management	**236.1**	233.5	235.7	241.9	256.1	267.1	263.7	248.6
Dealer compensation expense	**(79.3)**	(77.0)	(77.4)	(82.1)	(91.1)	(91.7)	(90.9)	(87.5)
Net asset management	**156.8**	156.5	158.3	159.8	165.0	175.4	172.8	161.1
Net investment income and other	**11.0**	14.9	10.3	(0.4)	(2.5)	3.7	2.2	2.3
Proportionate share of associates' earnings	**53.0**	65.4	46.9	50.0	48.4	50.7	55.9	48.2
	754.9	767.6	748.1	744.7	772.1	812.5	802.9	760.7
Expenses								
Advisory and business development	**245.7**	238.5	235.1	243.5	245.0	243.8	229.4	230.2
Operations and support	**201.8**	200.0	189.9	193.6	203.1	193.2	186.2	183.4
Sub-advisory	**15.8**	15.5	15.2	15.4	17.4	17.5	17.0	17.0
Interest(1)	**28.1**	28.5	28.5	28.3	27.9	28.4	28.5	28.4
	491.4	482.5	468.7	480.8	493.4	482.9	461.1	459.0
Earnings before undernoted	**263.5**	285.1	279.4	263.9	278.7	329.6	341.8	301.7
Gain on sale of Lifeco	**179.1**	–	–	–	–	–	–	–
Gain on sale of Personal Capital	**–**	–	–	–	–	10.6	–	–
Earnings before income taxes	**442.6**	285.1	279.4	263.9	278.7	340.2	341.8	301.7
Income taxes	**63.3**	61.8	63.4	58.5	62.3	77.1	76.2	67.8
Net earnings from continuing operations	**379.3**	223.3	216.0	205.4	216.4	263.1	265.6	233.9
Net earnings from discontinued operations	**3.2**	3.7	1.0	3.0	3.7	6.1	5.9	3.9
Net earnings	**382.5**	227.0	217.0	208.4	220.1	269.2	271.5	237.8
Non-controlling interest	**1.2**	2.3	0.9	1.3	0.8	0.7	0.7	0.4
Net earnings available to common shareholders	**$ 381.3**	$ 224.7	$ 216.1	$ 207.1	$ 219.3	$ 268.5	$ 270.8	$ 237.4
Reconciliation of non-IFRS financial measures *($ millions)*								
Adjusted net earnings available to common shareholders(2)	**$ 206.5**	$ 224.7	$ 216.1	$ 207.1	$ 219.3	$ 260.8	$ 270.8	$ 237.4
Other items:								
Gain on sale of Lifeco, net of tax ($4.3 million)	**174.8**	–	–	–	–	–	–	–
Gain on sale of Personal Capital, net of tax ($2.9 million)	**–**	–	–	–	–	7.7	–	–
Net earnings available to common shareholders	**$ 381.3**	$ 224.7	$ 216.1	$ 207.1	$ 219.3	$ 268.5	$ 270.8	$ 237.4
Earnings per Share *($)*								
Adjusted earnings per share(2)								
– Basic	**$ 0.87**	$ 0.95	$ 0.91	$ 0.87	$ 0.91	$ 1.09	$ 1.13	$ 0.99
– Diluted	**0.87**	0.94	0.91	0.87	0.91	1.08	1.13	0.99
Earnings per share								
– Basic	**1.60**	0.95	0.91	0.87	0.91	1.12	1.13	0.99
– Diluted	**1.60**	0.94	0.91	0.87	0.91	1.11	1.13	0.99
Average outstanding shares – Diluted *(thousands)*	**238,424**	237,958	237,808	239,242	241,251	241,443	240,575	239,821
Average assets under management and advisement *($ billions)*								
Investment fund assets under management	**$ 169.0**	$ 163.3	$ 164.3	$ 169.3	$ 179.0	$ 181.9	$ 178.6	$ 170.2
Total assets under management	**223.8**	216.5	217.3	225.2	238.4	241.9	238.3	227.8
Assets under management and advisement	**257.6**	247.8	247.2	255.3	269.5	272.0	267.4	255.4
Ending assets under management and advisement *($ billions)*								
Investment fund assets under management	**$ 170.5**	$ 163.6	$ 157.6	$ 160.2	$ 178.5	$ 184.5	$ 176.8	$ 174.4
Total assets under management	**225.9**	217.0	208.7	213.1	237.1	245.3	236.2	233.6
Assets under management and advisement	**260.4**	249.4	238.1	242.1	268.3	277.1	265.2	262.0

(1) Interest expense includes interest on long-term debt and leases.
(2) A non-IFRS financial measure – see Non-IFRS Financial Measures and Other Financial Measures section of this document.

Wealth Management

The Wealth Management segment consists of both IG Wealth Management (IG) and Investment Planning Counsel, Inc. (IPC), which has been classified as discontinued operations.

Wealth Management revenue consists of:

- ***Advisory fees*** are related to providing financial advice to clients including fees related to the distribution of products and depend largely on the level and composition of assets under advisement.
- ***Product and program fees*** are related to the management of investment products and include management, administration and other related fees and depend largely on the level and composition of assets under management.
- ***Other financial planning revenues*** are fees related to providing clients other financial products including mortgages, insurance and banking products.

Sub-advisory fees are paid between segments and to third parties for investment management services provided to our investment products. Wealth Management is considered a client of the Asset Management segment and transfer pricing is based on values for similar sized asset management mandates.

Debt and interest expense is allocated to each IGM Financial segment based on management's assessment of: i) capacity to service the debt, and ii) where the debt is being serviced. Income taxes are also reported in each segment.

Review of the Business

IG Wealth Management, founded in 1926, is a leading wealth management company in Canada that focuses on providing comprehensive personal financial planning to Canadians.

Investment Planning Counsel, founded in 1996, is an independent distributor of financial products, services and advice in Canada, with 662 advisors.

The Wealth Management segment provides a comprehensive planning approach, through IG Wealth Management and IPC advisors, by offering a broad range of financial products and services.

The review of the business in the Wealth Management section primarily relates to IG Wealth Management as it represents 97% of adjusted net earnings available to common shareholders of the total segment.

2023 Developments

Investment Planning Counsel

On April 3, 2023, IGM Financial announced the sale of 100% of the common shares of Investment Planning Counsel Inc. (IPC). The transaction is expected to close by the end of 2023, subject to regulatory approvals.

In accordance with IFRS 5 – *Non-Current Assets Held for Sale and Discontinued Operations*, the operating results and cash flows of IPC have been classified as discontinued operations within the Wealth Management segment. As a result, the operating results of IPC included within the Wealth Management segment Table 11 – *Operating Results – Wealth Management* have been classified as discontinued operations and are shown as a separate line item for all periods under review.

IG Wealth Management Developments

nesto

IG Wealth Management and nesto Inc. (nesto) entered into a strategic agreement in the fourth quarter of 2022 to have nesto provide next generation white label mortgage services to IG Wealth Management clients across Canada through its Mortgage Cloud solution. The initiative is part of IG Wealth Management's ongoing strategy to transform its business and follows the firm's modernization of its investment management and financial planning platforms.

Corporate Class Mutual Funds

IG Wealth announced the wind-up of Investors Group Corporate Class Inc., which impacts its suite of corporate class funds. The corporate class funds will be merged into their corresponding trust fund equivalent, on a tax deferred basis. The mergers are expected to be completed during the second quarter.

IG Wealth Management

IG Wealth Management is one of the largest independent financial planning firms in Canada, with advisors in every community from coast to coast. We are driven by our mission to inspire financial confidence that can transform the lives of our clients and their families and we are deeply committed to improving financial literacy in the communities where we work and live.

Our exclusive network is comprised of 3,234 advisors. IG Wealth Management clients are more than one million individuals, families and business owners.

Canadians hold $6.5 trillion in discretionary financial assets with financial institutions at December 31, 2021, based on the most recent report from Investor Economics, and we view these savings as IG Wealth Management's addressable market. 77% of these savings are held by households with over $1 million, which are referred to as high net worth, and another 20% reside with households with between $100,000 and $1 million, which are referred to as mass affluent. These segments tend to have more complicated financial needs, and IG Wealth Management's focus on providing comprehensive financial planning solutions positions it well to compete and grow in these segments.

Strategy

IG Wealth Management's promise is to inspire financial confidence.

IG Wealth has a client-centric strategy with a focus on high net worth (HNW) and mass affluent client segments, which we define as households with over $1 million and between $100 thousand and $1 million, respectively.

IG Wealth Management is committed to increasing the financial confidence of all Canadians by leveraging our people, expertise and resources because we believe it will help create stronger communities and a better future for all.

We believe that Canadians deserve a high standard of advice that takes into consideration all dimensions of their financial lives with financial plans tailored to meet and adapt to their needs.

Our strategic mandate is to be Canada's financial partner of choice.

We achieve our strategic mandate by focusing on providing comprehensive financial advice and well-constructed investment solutions designed to deliver returns and risks that take into account each client's needs and requirements.

Financial Advice

Our advisors focus on providing financial advice which is the value of all efforts that sit outside the investment portfolio construction. This includes the value that an advisor adds to a client relationship and comes from the creation and follow through of a well-constructed financial plan.

Advisors

IG Wealth Management has a national distribution network of more than 3,000 advisors in communities throughout Canada. Our advisory services are most suited to individuals with complicated financial needs.

IG Wealth provides advice through two primary channels:

- IG Wealth Management entrepreneurial advisors are focused on the high net worth and mass affluent segments of the market, which we define as households with over $1 million and between $100 thousand and $1 million, respectively.
- IG Wealth Management has a National Service Centre focused on supporting approximately 240,000 clients with less complex requirements, while allowing our entrepreneurial advisor practices to focus on those clients with more complex needs.

Our entrepreneurial advisor network creates a competitive advantage and drives client engagement with a focus on comprehensive financial planning and product solutions. Our advantage is further enabled by hiring top quality advisors, increasing proficiency, improving technology, implementing a client segmentation approach and enhancing a strong brand.

Assets under advisement consists of the following:

- Clients with household assets greater than $1 million (defined as "high net worth") which totalled $41.1 billion at March 31, 2023, a decrease of 0.2% from one year ago, and represented 36% of total assets under advisement.
- Clients with household assets between $100 thousand and $1 million (defined as "mass affluent") which totalled $65.2 billion at March 31, 2023, a decrease of 0.5% from one year ago, and represented 56% of total assets under advisement.
- Clients with household assets less than $100 thousand (defined as "mass market") which totalled $9.6 billion at March 31, 2023, a decrease of 0.1% from one year ago, and represented 8% of total assets under advisement.

IG Wealth Management advisor practices are industry leaders in holding a credentialed financial planning designation. These designations are nationally recognized financial planning qualifications that require an individual to demonstrate financial planning competence through education, standardized examinations, continuing education requirements, and accountability to ethical standards.

The following provides a breakdown of the IG Wealth Management advisor network into its significant components at March 31, 2023:

- 1,754 advisor practices (1,752 at March 31, 2022), which reflect advisors with more than four years of experience. These practices may include associates as described below. The level and productivity of advisor practices is a key measurement of our business as they serve clientele representing approximately 96% of AUM.

- 318 new advisors (372 at March 31, 2022), which are those advisors with less than four years of experience.
- 1,162 associates and regional vice-presidents (1,164 at March 31, 2022). Associates are licensed team members of advisor practices who provide financial planning services and advice to the clientele served by the team.
- IG Wealth Management had a total advisor network of 3,234 (3,288 at March 31, 2022).

IG Wealth uses advisor productivity as a key performance measure in evaluating its advisor network. The productivity is measured based on gross inflows per advisor and is monitored for both advisor recruits with less than 4 years experience and advisor practices with greater than 4 years experience.

- The advisor recruit's gross inflows were 0.7 million per advisor in March 31, 2023 unchanged from the comparative period of 2022.
- The advisory practice gross inflows were $1.8 million per practice compared to $2.0 million in the comparative period of 2022.

Key initiatives that impact advisor productivity are:

- Elimination of DSC in 2017 which removed competitive impediment.
- Tightened recruiting standards that increased the likelihood of success while also enhancing our culture and brand.
- National Service Centre that provides consistent service levels to clients with less complex needs and creates capacity for advisors.
- Product and pricing enhancements with a focus on the high net worth and mass affluent segments.
- Continued technology enhancements such as the Advisor Desktop powered by Salesforce.
- IG Living Plan™ and other client experience enhancements.
- Digital application to deliver tailored client investment proposals (powered by CapIntel).

We also support advisors and clients through our network of product and planning specialists, who assist in the areas of advanced financial planning, mortgages and banking, insurance, and securities. These specialists help to ensure that we are providing comprehensive financial planning across all elements of a client's financial life. Clients are served by our mutual fund licensed and securities licensed advisors and specialists.

Client Experiences

IG Wealth Management distinguishes itself from our competition by offering comprehensive planning to our clients that synchronize every aspect of their financial life. IG Wealth Management serves approximately one million clients located in communities throughout Canada. A primary focus is on advising and attracting high net worth and mass affluent clients.

For the distinct needs of the high net worth market, we offer IG Private Wealth Management which includes investment management, retirement, tax and estate planning services.

IG Living Plan™ allows clients to collaborate with an IG advisor through an enhanced digital experience to develop and track a financial plan which is unique to each client's goals.

IG Wealth Management has a full range of products that allow us to provide a tailored IG Living Plan that evolves over time. These products include:

- Powerful financial solutions that include investment vehicles that match risk and investment performance to each client's needs and requirements.
- Insurance products that include a variety of policy types from the leading insurers in Canada.
- Mortgage and banking solutions that are offered as part of a comprehensive financial plan.

The Charitable Giving Program is a donor-advised giving program which enables Canadians to make donations and build an enduring charitable giving legacy with considerably less expense and complexity than setting up and administering their own private foundation.

The IG Advisory Account is a fee-based account that improves client experience by offering the ability to simplify and consolidate selected investments into a single account while providing all our clients with a transparent advisory fee. IGAA accounts increase fee transparency and can hold most securities and investment products available in the marketplace to individual investors.

Financial Solutions

IG Wealth Management strives to achieve expected investment returns for the lowest possible risk through well-constructed investment portfolios, and to create value for clients through active management. To do this, we select and engage high-quality sub-advisors so our clients have access to a diverse range of investment products and solutions. Each asset manager is selected through a proven and rigorous process. We oversee all sub-advisors to ensure that their activities are consistent with their investment philosophies and with the investment objectives and strategies of the products they advise.

Our investment solutions leverage top global asset manager relationships including Mackenzie Investments and other world class investment firms such as Fidelity Investments Canada, T. Rowe Price, Sagard, Beutel Goodman Investment Counsel, PanAgora, PIMCO, Northleaf, BristolGate Capital

Partners, Aristotle Capital Boston, Putnam Investments, Franklin Templeton Investments, Wellington Management, Rockefeller Asset Management, JP Morgan Asset Management, BlackRock, ClearBridge Investments, 1832 Asset Management, and ChinaAMC.

We provide clients with an extensive suite of well-constructed and competitively priced financial solutions that incorporate public and private market investments as well as alternative investment strategies. We regularly enhance the scope and diversity of our investment offering with new funds and product changes that enable clients to achieve their goals. We believe that well-constructed managed solutions provide advisors with the best opportunity to focus on providing financial advice to their clients.

We provide portfolio construction with investment solutions that include public markets, private markets and alternative strategies.

Our investment solutions include:

- A deep and broad selection of mutual funds, diversified by manager, asset category, investment style, geography, market capitalization and sector.
- Managed solutions that rebalance investments to ensure that a chosen mix of investments and risk and return is maintained. These solutions include IG Core Portfolios, IG Managed Payout Portfolios, Investors Portfolios, IG Climate Action Portfolios, IG U.S. Taxpayer Portfolios and IG Managed Risk Portfolios.
- ***iProfile™ Portfolios –*** iProfile Portfolios are a suite of four managed solutions that provide comprehensive diversification and are designed to suit personal preferences for risk tolerance and investment goals. These portfolios provide exposure similar to the investments of the iProfile Private Pools.
- ***iProfile™ Private Portfolios*** – iProfile Private Portfolios are model portfolios comprised of iProfile Private Pools, available for households with investments held at IG Wealth Management in excess of $250,000. iProfile Private Portfolios have been designed to deliver strong risk-adjusted returns by diversifying across asset classes, management styles and geographic regions. The portfolios include discretionary model portfolios and six iProfile Private Pools to support the new models: three iProfile Active Allocation Private Pools, iProfile Alternatives Private Pool with mandates including long-short, global macro and global equity hedge strategies, iProfile ETF Private Pool providing exposure through exchange traded funds (ETF) and iProfile Low Volatility Private Pool with Canadian, U.S., International and Emerging Market geographic coverage.
- Segregated funds that provide for long-term investment growth potential combined with risk management, benefit guarantee features and estate planning efficiencies.
- Separately managed accounts (discretionary dealer-managed accounts).

We have incorporated investments in private assets with the introduction of a Private Credit Mandate in the iProfile Fixed Income Private Pool. The pool has committed to three Northleaf Capital Partners' private credit investments that focus on loans to middle market companies in North America and Europe, as well as to investments managed by BlackRock, PIMCO and Sagard. Private Investment Mandates are also included in both the iProfile Canadian Equity Private Pool and the iProfile U.S. Equity Private Pool. Both of these mandates intend to provide investors with enhanced diversification and long-term capital appreciation through exposure to investments in privately held companies. The iProfile Canadian Equity Private Pool has made a commitment to the Northleaf Growth Fund and the iProfile U.S. Equity Private Pool has made a commitment to the Northleaf Capital Opportunities Fund.

In support of the global goal to reach net zero by 2050, IG Wealth Management is a founding Signatory to Responsible Investment Association's Canadian Investor Statement on Climate Change. To support this initiative, IG Wealth Management clients can invest in the IG Climate Action Portfolios which is a suite of four diversified managed solutions.

IG Wealth Management monitors its investment performance by comparing to certain benchmarks. Morningstar† fund ranking service is one of the rankings monitored when determining fund performance.

At March 31, 2023, 88.7% of IG Wealth Management mutual fund assets had a rating of three stars or better from Morningstar† fund ranking service and 58.4% had a rating of four or five stars. This compared to the Morningstar† universe of 85.8% for three stars or better and 49.9% for four and five star funds at March 31, 2023. Morningstar Ratings† are an objective, quantitative measure of a fund's three, five and ten year risk-adjusted performance relative to comparable funds.

Wealth Management Assets Under Management and Advisement

Assets under management and advisement are key performance indicators for the Wealth Management segment.

Wealth Management's assets under advisement were $146.8 billion at March 31, 2023, a decrease of 0.8% from March 31, 2022. The level of assets under advisement are influenced by three factors: client inflows, client outflows and investment returns.

Wealth Management's assets under management were $108.9 billion, a decrease of 3.1% from March 31, 2022. The level of assets under management are influenced by sales, redemptions and investment returns.

Changes in Wealth Management assets under advisement and assets under management for the periods under review are reflected in Tables 7 and 8.

IG Wealth Management Assets Under Management and Advisement

Assets under advisement (AUA) are a key performance indicator for IG Wealth Management. AUA represents savings and investment products, including assets under management where we provide investment management services, that are held within our clients' accounts. Advisory fees are charged based on an annual percentage of substantially all AUA, through the IG Advisory Account fee, and represent the majority of the fees earned from our clients. Our advisors' compensation is also based on AUA and net assets contributed by our clients.

Assets under advisement were $115.9 billion at March 31, 2023, a decrease of 0.4% from March 31, 2022, and mutual fund assets under management were $104.1 billion, a decrease of 2.9%.

Changes in IG Wealth Management assets under advisement and management for the periods under review are reflected in Tables 9 and 10.

For the quarter ended March 31, 2023, gross client inflows of IG Wealth Management assets under advisement were $3.7 billion, a decrease of 8.4% from $4.0 billion in

Table 7: Change in Assets Under Advisement – Wealth Management

				Change	
Three months ended *($ millions)*	**2023 Mar. 31**	2022 Dec. 31	2022 Mar. 31	2022 Dec. 31	2022 Mar. 31
Gross client inflows	**$ 5,012**	$ 4,188	$ 5,342	19.7 %	(6.2)%
Gross client outflows	**4,194**	3,712	3,715	13.0	12.9
Net flows	**818**	476	1,627	71.8	(49.7)
Investment returns	**5,618**	6,571	(6,245)	(14.5)	N/M
Net change in assets	**6,436**	7,047	(4,618)	(8.7)	N/M
Beginning assets	**140,356**	133,309	152,623	5.3	(8.0)
Ending assets under advisement	**$ 146,792**	$ 140,356	$ 148,005	4.6 %	(0.8)%
IG Wealth Management	**115,873**	110,816	116,281	4.6	(0.4)
Investment Planning Counsel	**30,926**	29,547	31,734	4.7	(2.5)
Average assets under advisement	**$ 145,193**	$ 139,155	$ 148,319	4.3 %	(2.1)%
IG Wealth Management	**114,650**	109,638	116,300	4.6	(1.4)
Investment Planning Counsel	**30,543**	29,524	32,029	3.5	(4.6)

Table 8: Change in Assets Under Management – Wealth Management

				Change	
Three months ended *($ millions)*	**2023 Mar. 31**	2022 Dec. 31	2022 Mar. 31	2022 Dec. 31	2022 Mar. 31
Sales	**$ 3,331**	$ 2,263	$ 4,105	47.2 %	(18.9)%
Redemptions	**3,550**	3,129	2,903	13.5	22.3
Net sales (redemptions)	**(219)**	(866)	1,202	74.7	N/M
Investment returns	**5,225**	4,728	(4,984)	10.5	N/M
Net change in assets	**5,006**	3,862	(3,782)	29.6	N/M
Beginning assets	**103,897**	100,035	116,170	3.9	(10.6)
Ending assets under management	**$ 108,903**	$ 103,897	$ 112,388	4.8 %	(3.1)%
IG Wealth Management	**104,069**	99,275	107,187	4.8	(2.9)
Investment Planning Counsel	**4,834**	4,622	5,201	4.6	(7.1)
Daily average mutual fund assets	**$ 108,074**	$ 103,867	$ 112,723	4.1 %	(4.1)%
IG Wealth Management	**103,321**	99,208	107,410	4.1	(3.8)
Investment Planning Counsel	**4,753**	4,659	5,313	2.0	(10.5)

Table 9: Change in Assets Under Advisement – IG Wealth Management

Three months ended *($ millions)*	2023 Mar. 31	2022 Dec. 31	2022 Mar. 31	Change 2022 Dec. 31	Change 2022 Mar. 31
Gross client inflows	**$ 3,663**	$ 3,031	$ 4,000	20.9 %	(8.4)%
Gross client outflows	**3,159**	2,602	2,534	21.4	24.7
Net flows	**504**	429	1,466	17.5	(65.6)
Investment returns	**4,553**	5,358	(4,742)	(15.0)	N/M
Net change in assets	**5,057**	5,787	(3,276)	(12.6)	N/M
Beginning assets	**110,816**	105,029	119,557	5.5	(7.3)
Ending assets	**$ 115,873**	$ 110,816	$ 116,281	4.6 %	(0.4)%
Daily average assets under advisement	**$ 114,650**	$ 109,638	$ 116,300	4.6 %	(1.4)%

Table 10: Change in Assets Under Management – IG Wealth Management

Three months ended *($ millions)*	2023 Mar. 31	2022 Dec. 31	2022 Mar. 31	Change 2022 Dec. 31	Change 2022 Mar. 31
Sales	**$ 3,021**	$ 2,125	$ 3,902	42.2 %	(22.6)%
Redemptions	**3,294**	2,843	2,638	15.9	24.9
Net sales (redemptions)	**(273)**	(718)	1,264	62.0	N/M
Investment returns	**5,067**	4,533	(4,618)	11.8	N/M
Net change in assets	**4,794**	3,815	(3,354)	25.7	N/M
Beginning assets	**99,275**	95,460	110,541	4.0	(10.2)
Ending assets	**$ 104,069**	$ 99,275	$ 107,187	4.8 %	(2.9)%
Daily average assets under management	**$ 103,321**	$ 99,208	$ 107,410	4.1 %	(3.8)%
Managed asset net sales					
Investment fund net sales	**$ (296)**	$ (718)	$ 1,264	58.8 %	N/M
Mackenzie net sales through Wealth Management	**23**	(18)	5	N/M	N/M
	$ (273)	$ (736)	$ 1,269	62.9 %	N/M

the comparable period in 2022. Net client inflows were $504 million, a decrease from net client inflows of $1.5 billion in the comparable period in 2022. During the first quarter, investment returns resulted in an increase of $4.6 billion in assets under advisement compared to a decrease of $4.7 billion in the first quarter of 2022.

Changes in mutual fund assets under management for the periods under review are reflected in Table 10.

At March 31, 2023, $81.4 billion, or 79% of IG Wealth Management's mutual fund assets under management, were in products with unbundled fee structures, up 4.3% from $78.1 billion at March 31, 2022 which represented 73% of assets under management.

Change in Assets Under Management and Advisement – Q1 2023 vs. Q1 2022

IG Wealth Management's assets under advisement were $115.9 billion at March 31, 2023, a decrease of 0.4% from $116.3 billion at March 31, 2022. IG Wealth Management's mutual fund assets under management were $104.1 billion at March 31, 2023, representing a decrease of 2.9% from $107.2 billion at March 31, 2022. Average daily mutual fund assets were $103.3 billion in the first quarter of 2023, down 3.8% from $107.4 billion in the first quarter of 2022.

For the quarter ended March 31, 2023, sales of IG Wealth Management mutual funds through its advisor network were $3.0 billion, a decrease of 22.6% from the comparable period in 2022. Mutual fund redemptions totalled $3.3 billion, an increase of 24.9% from 2022. IG Wealth Management mutual fund net redemptions for the first quarter of 2023 were $273 million compared with net sales of $1.3 billion in 2022. During the first quarter, investment returns resulted in an increase of

$5.1 billion in mutual fund assets compared to a decrease of $4.6 billion in the first quarter of 2022.

IG Wealth Management's annualized quarterly redemption rate for long-term funds was 12.6% in the first quarter of 2023, compared to 9.6% in the first quarter of 2022. IG Wealth Management's twelve month trailing redemption rate for long-term funds was 10.7% at March 31, 2023, compared to 8.9% at March 31, 2022, and remains well below the corresponding average redemption rate for all other members of the Investment Funds Institute of Canada (IFIC) of approximately 16.7% at March 31, 2023. IG Wealth Management's redemption rate has been very stable compared to the overall mutual fund industry, reflecting our focus on financial planning.

Change in Assets Under Management and Advisement – Q1 2023 vs. Q4 2022

IG Wealth Management's assets under advisement were $115.9 billion at March 31, 2023, an increase of 4.6% from $110.8 billion at December 31, 2022. IG Wealth Management's mutual fund assets under management were $104.1 billion at March 31, 2023, an increase of 4.8% from $99.3 billion at December 31, 2022. Average daily mutual fund assets were $103.3 billion in the first quarter of 2023 compared to $99.2 billion in the fourth quarter of 2022, an increase of 4.1%.

For the quarter ended March 31, 2023, sales of IG Wealth Management mutual funds through its advisor network were $3.0 billion, an increase of 42.2% from the fourth quarter of 2022. Mutual fund redemptions, which totalled $3.3 billion for the first quarter, increased 15.9% from the previous quarter, and the annualized quarterly redemption rate was 12.6% in the first quarter compared to 11.0% in the fourth quarter of 2022. IG Wealth Management mutual fund net redemptions were $273 million for the current quarter compared to net redemptions of $718 million in the previous quarter.

IG Wealth Management Other Products and Services

Segregated Funds

IG Wealth Management offers segregated funds which include the IG Series of Guaranteed Investment Funds (GIFs). Select GIF policies allow for a Lifetime Income Benefit (LIB) option to provide guaranteed retirement income for life. The investment components of these segregated funds are managed by IG Wealth Management. At March 31, 2023, total segregated fund assets were $1.3 billion, compared to $1.4 billion at March 31, 2022.

Insurance

IG Wealth Management continues to be a leader in the distribution of life insurance in Canada. Through its arrangements with leading insurance companies, IG Wealth Management offers a broad range of term, universal life, whole life, disability, critical illness, long-term care, personal health care coverage and group insurance.

At March 31, 2023, total in-force policies were approximately 376 thousand with an insured value of $104 billion, compared to approximately 379 thousand with an insured value of $103 billion at March 31, 2022. Distribution of insurance products is enhanced through IG Wealth Management's Insurance Planning Specialists, located throughout Canada, who assist advisors with advanced estate planning solutions for high net worth clients.

Securities Operations

Investors Group Securities Inc. is an investment dealer registered in all Canadian provinces and territories providing clients with securities services to complement their financial and investment planning. IG Wealth Management advisors can refer clients to one of our Wealth Planning Specialists available through Investors Group Securities Inc.

Mortgage and Banking Operations

Mortgages are offered to clients by IG Wealth Management and through IG Wealth Management's Solutions Banking†. An All-in-One product, a comprehensive cash management solution that integrates the features of a mortgage, term loan, revolving line of credit and deposit account, is also offered through Solutions Banking†.

IG Wealth Management and nesto Inc. (nesto) have entered into a strategic agreement to have nesto provide next generation white label mortgage services to IG Wealth Management clients across Canada through its Mortgage Cloud solution. nesto's Mortgage Cloud solution will be integrated into IG Wealth Management's mortgage solutions business. It will allow IG Wealth Management advisors to provide clients with an enhanced mortgage experience through: an online application process; quick turnaround times; live tracking and regular status updates; and dynamic tools.

Licensed mortgage brokers are located throughout each province in Canada, and work with our clients and their advisors to develop mortgage and lending strategies that meet the individual needs and goals of each client as part of their comprehensive financial plan.

Mortgage fundings offered through IG Wealth Management and through Solutions Banking† for the first quarter ended March 31, 2023 were $83 million compared to $165 million in 2022, a decrease of 49.7%. At March 31, 2023, mortgages offered through both sources totalled $7.6 billion, compared to $8.2 billion at March 31, 2022, a decrease of 7.2%.

Available credit associated with Solutions Banking† All-in-One accounts originated for the quarter ended March 31, 2023 were $41 million, compared to $216 million in 2022. At March 31, 2023, the balance outstanding of Solutions Banking† All-in-One products was $4.1 billion, compared to $4.0 billion one year ago, and represented approximately 52% of total available credit associated with these accounts.

Other products and services offered through Solutions Banking† include investment loans, lines of credit, personal loans, creditor insurance, deposit accounts, and credit cards. Through Solutions Banking†, clients have access to a network of banking machines, as well as a private labelled client website and client service centre. The Solutions Banking† offering supports IG Wealth Management's approach to delivering total financial solutions for our clients through a broad financial planning platform. Total outstanding lending products of IG Wealth Management clients in the Solutions Banking† offering, including Solutions Banking† mortgages totalled $5.7 billion at March 31, 2023, compared to $5.8 billion at March 31, 2022.

Review of Segment Operating Results

The Wealth Management segment's adjusted net earnings are presented in Table 11 and include the operations of IG Wealth Management and Investment Planning Counsel.

As a result of the sale of Investment Planning Counsel announced on April 3, 2023, the operating results of IPC included within the Wealth Management segment have been classified as discontinued operations and are shown as a separate line item in Table 11 for all periods under review.

IG Wealth Management

IG Wealth Management's adjusted net earnings are presented within Table 11. Adjusted net earnings for the first quarter of 2023 were $104.6 million, a decrease of 11.1% from the first quarter in 2022 and unchanged from the prior quarter.

Adjusted earnings before interest and taxes for the first quarter of 2023 were $165.3 million, a decrease of 9.4% from the first quarter in 2022 and a decrease of 0.1% from the prior quarter.

Table 11: Operating Results – Wealth Management

Three months ended *($ millions)*	**2023 Mar. 31**	2022 Dec. 31	2022 Mar. 31	Change 2022 Dec. 31	Change 2022 Mar. 31
IG Wealth Management					
Revenues					
Wealth Management					
Advisory fees	**$ 290.7**	$ 283.1	$ 292.3	2.7 %	(0.5)%
Product and program fees	**218.7**	214.7	227.8	1.9	(4.0)
	509.4	497.8	520.1	2.3	(2.1)
Redemption fees	**0.6**	0.6	1.4	–	(57.1)
Other financial planning revenues	**25.7**	32.4	39.7	(20.7)	(35.3)
Total Wealth Management	**535.7**	530.8	561.2	0.9	(4.5)
Net investment income and other	**3.4**	2.1	(0.6)	61.9	N/M
	539.1	532.9	560.6	1.2	(3.8)
Expenses					
Advisory and business development					
Asset-based compensation	**144.4**	140.3	143.7	2.9	0.5
Sales-based compensation	**21.5**	20.4	17.4	5.4	23.6
Other					
Other product commissions	**14.8**	16.8	17.2	(11.9)	(14.0)
Business development	**42.3**	39.7	46.5	6.5	(9.0)
	57.1	56.5	63.7	1.1	(10.4)
Total advisory and business development	**223.0**	217.2	224.8	2.7	(0.8)
Operations and support	**108.2**	108.8	108.7	(0.6)	(0.5)
Sub-advisory	**42.6**	41.5	44.6	2.7	(4.5)
	373.8	367.5	378.1	1.7	(1.1)
Adjusted earnings before interest and taxes[1]	**165.3**	165.4	182.5	(0.1)	(9.4)
Interest expense	**22.3**	22.6	22.1	(1.3)	0.9
Adjusted earnings before income taxes[1]	**143.0**	142.8	160.4	0.1	(10.8)
Income taxes	**38.4**	38.2	42.8	0.5	(10.3)
Adjusted net earnings – continuing operations[1]	**104.6**	104.6	117.6	–	(11.1)
Net earnings – discontinued operations[2]	**3.0**	3.5	3.8	(14.3)	(21.1)
Adjusted net earnings[1]	**107.6**	108.1	121.4	(0.5)	(11.4)
Non-controlling interest	**0.2**	0.2	–	–	N/M
Adjusted net earnings available to common shareholders[1]	**$ 107.4**	$ 107.9	$ 121.4	(0.5)%	(11.5)%

(1) A non-IFRS financial measure – see Non-IFRS Financial Measures and Other Financial Measures section of this document.
(2) IPC segment operating results.

Q1 2023 vs. Q1 2022

Fee Income

Advisory fees include fees for providing financial advice to clients including fees related to the distribution of products, and depend largely on the level and composition of assets under advisement. Advisory fees were $290.7 million in the first quarter of 2023, a decrease of $1.6 million or 0.5% from $292.3 million in 2022.

The decrease in advisory fees in the three months ending March 31, 2023 was primarily due to the decrease in average assets under advisement of 1.4%, as shown in Table 9, partially offset by an increase in the advisory fee rate. The average advisory fee rate for the first quarter was 102.8 basis points of average assets under advisement compared to 101.9 basis points in 2022.

Product and program fees depend largely on the level and composition of mutual fund assets under management. Product and program fees totalled $218.7 million in the current quarter, down 4.0% from $227.8 million a year ago primarily due to the decrease in average assets under management of 3.8%, as shown in Table 10. The average product and program fee rate for the first quarter was 85.8 basis points of assets under management compared to 86.0 basis points in 2022, reflecting price reductions in certain funds and changes in product mix.

Other financial planning revenues are primarily earned from:

- Mortgage banking operations
- Distribution of insurance products through I.G. Insurance Services Inc.
- Securities trading services provided through Investors Group Securities Inc.
- Banking services provided through Solutions Banking†

Other financial planning revenues of $25.7 million for the first quarter of 2023 decreased by $14.0 million from $39.7 million in 2022, primarily due to lower earnings from mortgage banking operations and lower revenues from the distribution of insurance products.

A summary of mortgage banking operations for the quarter under review is presented in Table 12.

Net Investment Income and Other

Net investment income and other consists of unrealized gains or losses on investments in proprietary funds in the three months ended March 31, 2023, and investment income earned on our cash and cash equivalents and securities and other income not related to our core business. It also includes a charge from the Strategic Investments and Other segment for the use of unallocated capital.

Expenses

IG Wealth Management incurs advisory and business development expenses that include compensation paid to our advisors. The majority of these costs vary directly with asset or sales levels. Also included are other distribution and business development activities which do not vary directly with asset or sales levels, such as direct marketing and advertising, financial planning specialist support and other costs incurred to support our advisor networks. These expenses tend to be discretionary or vary based upon the number of advisors or clients.

Asset-based compensation fluctuates with the value of assets under advisement. Asset-based compensation increased by $0.7 million for the three months ended March 31, 2023 to $144.4 million compared to 2022, primarily due to deferred selling commission units maturing and other compensation changes partly offset by a decline in assets under advisement.

IG Wealth Management sales-based compensation is based upon the level of new assets contributed to client accounts at IG Wealth Management (subject to eligibility requirements). All sales-based compensation payments are capitalized and amortized as they reflect incremental costs to obtain a client contract. Sales-based compensation was $21.5 million for the first quarter of 2023, an increase of $4.1 million from $17.4 million in 2022.

Other advisory and business development expenses were $57.1 million in the first quarter of 2023, compared to $63.7 million in 2022, a decrease of $6.6 million primarily due to decreases in other advisor program expenses and distribution of insurance products.

Operations and support includes costs that support our wealth management and other general and administrative functions such as product management, technology and operations, as well as other functional business units and corporate expenses. Operations and support expenses were $108.2 million for the first quarter of 2023 compared to $108.7 million in 2022, a decrease of $0.5 million due to expense initiatives that were incorporated throughout 2022.

Sub-advisory expenses were $42.6 million for the first quarter of 2023 compared to $44.6 million in 2022, a decrease of $2.0 million or 4.5%, primarily due to lower assets under management.

Interest Expense

Interest expense, which includes allocated interest expense on long-term debt and interest expense on leases, totalled $22.3 million in the first quarter of 2023, comparable to 2022. Long-term debt interest expense is calculated based on a long-term debt allocation of $1.7 billion to IG Wealth Management.

Table 12: Mortgage Banking Operations – IG Wealth Management

Three months ended *($ millions)*	2023 Mar. 31	2022 Dec. 31	2022 Mar. 31	Change 2022 Dec. 31	Change 2022 Mar. 31
Total mortgage banking income					
Net interest income on securitized loans					
Interest income	**$ 36.4**	$ 34.1	$ 30.8	6.7 %	18.2 %
Interest expense	**33.6**	29.5	24.1	13.9	39.4
Net interest income	**2.8**	4.6	6.7	(39.1)	(58.2)
Gains (losses) on sales[1]	**(1.0)**	–	(0.7)	N/M	42.9
Fair value adjustments	**(3.3)**	(5.7)	4.0	42.1	N/M
Other	**2.3**	4.0	0.3	(42.5)	N/M
	$ 0.8	$ 2.9	$ 10.3	(72.4)%	(92.2)%
Average mortgages serviced					
Securitizations	**$ 4,636**	$ 4,567	$ 4,917	1.5 %	(5.7)%
Other	**2,164**	2,357	2,393	(8.2)	(9.6)
	$ 6,800	$ 6,924	$ 7,310	(1.8)%	(7.0)%
Mortgage sales to:[2]					
Securitizations	**$ 175**	$ 359	$ 134	(51.3)%	30.6 %
Other[1]	**108**	–	224	N/M	(51.8)
	$ 283	$ 359	$ 358	(21.2)%	(20.9)%

(1) Represents sales to institutional investors through private placements and to IG Mackenzie Mortgage and Short Term Income Fund, as well as gains (losses) realized on those sales.
(2) Represents principal amounts sold.

Q1 2023 vs. Q4 2022

Fee Income

Advisory fee income increased by $7.6 million or 2.7% to $290.7 million in the first quarter of 2023 compared with the fourth quarter of 2022. The increase in advisory fees in the first quarter was primarily due to the increase in average assets under advisement of 4.6% for the quarter, as shown in Table 9, partly offset by two fewer days in the quarter. The average advisory fee rate for the first quarter was 102.8 basis points of average assets under management, compared to 102.4 basis points in the fourth quarter.

Product and program fees were $218.7 million in the first quarter of 2023, an increase of $4.0 million from $214.7 million in the fourth quarter of 2022. The increase in product and program fees was primarily due to the increase in average assets under management of 4.1% partly offset by two fewer days in the quarter. The average product and program fee rate was 85.8 basis points in the current quarter, compared to 85.9 basis points in the fourth quarter.

Other financial planning revenues of $25.7 million in the first quarter of 2023 decreased by $6.7 million from $32.4 million in the fourth quarter due to a decrease in earnings from the mortgage banking operations and lower revenues from the distribution of insurance products.

Expenses

Advisory and business development expenses in the current quarter were $223.0 million, an increase of $5.8 million from $217.2 million in the previous quarter primarily due to increases in asset based compensation as a result of higher assets.

Operations and support expenses were $108.2 million for the first quarter of 2023 compared to $108.8 million in the previous quarter due to continued focus on expense management.

Investment Planning Counsel – Discontinued Operations

Q1 2023 vs. Q1 2022

Adjusted net earnings related to Investment Planning Counsel were $0.8 million lower in the first quarter ended March 31, 2023 than the comparable period in 2022.

Q1 2023 vs. Q4 2022

Adjusted net earnings related to Investment Planning Counsel were $0.5 million lower in the first quarter of 2023 compared to the prior quarter.

Asset Management

The Asset Management segment includes Mackenzie Investments (Mackenzie).

Asset Management revenue reflects:

- ***Net asset management fees – third party*** includes fees received from our mutual funds and fees from third parties for investment management services. Compensation paid to dealers offsets the fees earned.
- ***Asset management fees – Wealth Management*** includes fees received from the Wealth Management segment. Wealth Management is considered a client of the Asset Management segment and transfer pricing is based on values for similar sized asset management mandates.

Assets managed for IG Wealth Management are included in the Asset Management segment's assets under management.

Debt and interest expense is allocated to each IGM Financial segment based on management's assessment of: i) capacity to service the debt, and ii) where the debt is being serviced. Income taxes are also reported in each segment.

Review of the Business

Mackenzie Investments is a diversified asset management solutions provider founded in 1967. We provide investment management and related services with a wide range of investment mandates through a boutique structure and using multiple distribution channels. We are committed to delivering strong investment performance for our clients by drawing on more than 50 years of investment management experience.

Mackenzie earns asset management fees primarily from:

- Management fees earned from its investment funds, sub-advised accounts and institutional clients.
- Fees earned from its mutual funds for administrative services.
- Redemption fees on deferred sales charge and low load units.

The largest component of Mackenzie's revenues is management fees. The amount of management fees depends on the level and composition of assets under management. Management fee rates vary depending on the investment objective and the account type of the underlying assets under management. Equity based mandates have higher management fee rates than fixed income mandates and retail mutual fund accounts have higher management fee rates than exchange traded funds, sub-advised accounts and institutional accounts.

Asset Management Strategy

Mackenzie undertook a review of its strategic framework in the first quarter and the overall strategy and focus remains largely intact. Additions to our framework include an explicit emphasis on being committed to the success of our clients and on having the best minds in the investment industry, both of which are defining features of our approach.

Mackenzie's mission is to create a more invested world, together.

Mackenzie's objective is to become Canada's preferred global asset management solutions provider and business partner.

Mackenzie's strategic mandates are: win Canadian retail; build meaningful strategic partnerships; and develop presence in underpenetrated channels with a targeted approach. We achieve our strategic mandates with the following focus areas:

- Continuously improving distribution with a segmented approach;
- Delivering competitive risk adjusted investment performance;
- Advancing brand leadership;
- Creating innovative and relevant products and solutions;
- Encouraging a sustainable future;
- Ensuring operational excellence and efficiency;
- Fostering a high performing, diverse and winning culture.

Our focus areas drive future business growth. We aim to achieve this by being committed to the success of our clients, attracting and fostering the best minds in the investment industry, maintaining a boutique investment approach, having an innovative and future oriented product focus, and being responsible in everything we do.

Our investment management capabilities are delivered through a boutique structure, with separate in-house teams having distinct focuses and diverse styles. Our research and portfolio management teams are located in Toronto, Montreal, Winnipeg, Vancouver, Boston, Dublin and Hong Kong. In addition, our ownership interest in Northleaf enhances our investment capabilities by offering global private equity, private credit and infrastructure investment solutions to our clients and our ownership interest in ChinaAMC offers our clients access to Chinese capital markets. We also supplement our investment capabilities with strategic partners (third party sub-advisors) in selected areas. The development of a broad range of investment capabilities and products is a key strength in supporting the evolving financial needs of investors.

Our business focuses on three key distribution channels: retail, strategic alliances and institutional.

Mackenzie primarily distributes its retail investment products through third-party financial advisors. Our sales teams work with many of the more than 30,000 independent financial advisors and their firms across Canada. Our innovative, comprehensive lineup of investment solutions covers all asset classes and parts of the globe. We offer a range of relevant products and investment solutions designed to help advisors meet the evolving needs of their clients. We regularly introduce new funds and we may merge or streamline our fund offerings to provide enhanced investment solutions.

In addition to our retail distribution team, Mackenzie also has specialty teams focused on strategic alliances and the institutional marketplace.

Within the strategic alliance channel, Mackenzie offers certain series of our mutual funds and provides sub-advisory services to third-party and related party investment programs offered by banks, insurance companies and other investment companies. Strategic alliances with related parties include providing advisory services to IG Wealth Management, Investment Planning Counsel and Great-West Lifeco Inc. (Lifeco) subsidiaries. Mackenzie partners with Wealthsimple to distribute ETFs through their product shelf and serves as one of two exclusive investment solutions providers to PFSL Investment Canada Ltd. (Primerica) and launched a suite of 25 funds designed to address the specific needs of Primerica advisors and their clients. Within the strategic alliance channel, Mackenzie's primary distribution relationship is with the head office of the respective bank, insurance company or investment company.

In the institutional channel, Mackenzie provides investment management services to pension plans, foundations and other institutions. We attract new institutional business through our relationships with pension and management consultants.

Gross sales and redemption activity in strategic alliance and institutional accounts can be more pronounced than in the retail channel, given the relative size and the nature of the distribution relationships of these accounts. These accounts are also subject to ongoing reviews and rebalance activities which may result in a significant change in the level of assets under management.

Mackenzie continues to be positioned to build and enhance our distribution relationships given our team of experienced investment professionals, strength of our distribution network, broad product shelf, competitively priced products and our focus on client experience and investment excellence.

Brand

During the first quarter of 2023, Mackenzie launched its new brand platform "Be Invested" to reinforce to advisors and investors the importance of remaining invested across all market cycles. This new platform is an extension of Mackenzie's mission "to create an invested world together".

Assets Under Management

The changes in total assets under management are summarized in Table 13 and the changes in investment fund assets under management are summarized in Table 14. Assets managed for the Wealth Management segment are included in total assets under management.

At March 31, 2023, Mackenzie's total assets under management were $193.8 billion, a decrease of 5.7% from $205.5 billion last year. Mackenzie's total third party assets under management were $117.0 billion, a decrease of 6.2% from $124.7 billion last year. The change in Mackenzie's assets under management is determined by investment returns and net contributions from our clients.

Change in Assets Under Management – Q1 2023 vs. Q1 2022

Mackenzie's total assets under management at March 31, 2023 were $193.8 billion, a decrease of 5.7% from $205.5 billion at March 31, 2022. Third party assets under management were $117.0 billion, a decrease of 6.2% from $124.7 billion at March 31, 2022.

Investment fund assets under management were $61.6 billion at March 31, 2023, compared to $66.1 billion at March 31, 2022, a decrease of 6.9%. Mackenzie's mutual fund assets under management of $56.5 billion decreased by 6.3% from $60.3 billion at March 31, 2022. Mackenzie's ETF assets excluding ETFs held within IGM Financial's managed products were $5.1 billion at March 31, 2023, a decrease of 13.0% from $5.8 billion at March 31, 2022. ETF assets inclusive of IGM Financial's managed products were $12.8 billion at March 31, 2023, compared to $12.9 billion at March 31, 2022.

In the three months ended March 31, 2023, Mackenzie's mutual fund gross sales were $2.3 billion, a decrease of 21.6% from $2.9 billion in 2022. Mutual fund redemptions in the current quarter were $2.2 billion, a decrease of 5.8% from last year. Mutual fund net sales for the three months ended March 31, 2023 were $86 million, compared to net sales of $582 million last year. In the three months ended March 31, 2023, ETF net

Table 13: Change in Total Assets Under Management – Asset Management

Three months ended *($ millions)*	**2023 Mar. 31**	2022 Dec. 31	2022 Mar. 31	Change 2022 Dec. 31	Change 2022 Mar. 31
Assets under management excluding sub-advisory to Canada Life and the Wealth Management Segment					
Net sales (redemptions)					
Mutual funds	**$ 86**	$ (966)	$ 582	N/M %	(85.2)%
ETF net creations(1)	**(14)**	134	718	N/M	N/M
Investment funds(2)(3)	**72**	(832)	1,300	N/M	(94.5)
Sub-advisory, institutional and other accounts(4)	**98**	(135)	(427)	N/M	N/M
Total net sales (redemptions)	**170**	(967)	873	N/M	(80.5)
Investment returns	**2,157**	3,385	(3,954)	(36.3)	N/M
Net change in assets	**2,327**	2,418	(3,081)	(3.8)	N/M
Beginning assets	**66,075**	63,657	76,310	3.8	(13.4)
Ending assets	**$ 68,402**	$ 66,075	$ 73,229	3.5 %	(6.6)%
Consolidated assets under management					
Mutual funds	**$ 56,490**	$ 54,434	$ 60,291	3.8 %	(6.3)%
ETFs	**5,086**	5,219	5,848	(2.5)	(13.0)
Investment funds(2)(3)	**61,576**	59,653	66,139	3.2	(6.9)
Sub-advisory, institutional and other accounts	**6,826**	6,422	7,090	6.3	(3.7)
	68,402	66,075	73,229	3.5	(6.6)
Sub-advisory to Canada Life	**48,582**	47,023	51,502	3.3	(5.7)
Third party AUM	**116,984**	113,098	124,731	3.4	(6.2)
Sub-advisory and AUM to Wealth Management(3)	**76,785**	73,514	80,814	4.4	(5.0)
Consolidated assets under management	**$ 193,769**	$ 186,612	$ 205,545	3.8 %	(5.7)%
Average total assets under management(5)					
Third party AUM	**$ 115,717**	$ 112,651	$ 125,670	2.7 %	(7.9)%
Consolidated	**192,011**	186,260	205,474	3.1	(6.6)

(1) ETFs – During the first quarter of 2022, Wealthsimple made allocation changes which resulted in $675 million in purchases in Mackenzie ETFs.
(2) Investment fund assets under management and net sales exclude investments into Mackenzie mutual funds and ETFs by IGM Financial's investment funds.
(3) Effective January 2023, Mackenzie investment fund products sold through IG Wealth Management are reclassified from Investment funds to Sub-advisory and AUM to Wealth Management.
(4) Sub-advisory, institutional and other accounts:
2022 Q1 – an institutional investor redeemed $291 million within products Mackenzie sub-advises.
(5) Based on daily average investment fund assets and month-end average sub-advisory, institutional and other assets.

creations were ($14) million compared to $718 million last year. Investment fund net sales in the current quarter were $72 million compared to net sales of $1.3 billion last year. During the current quarter, investment returns resulted in investment fund assets increasing by $1.9 billion compared to a decrease of $3.5 billion last year.

In the first quarter of 2022, Wealthsimple made allocation changes which resulted in a $675 million purchase into Mackenzie ETFs. Excluding this transaction, ETF net creations were $43 million last year and investment fund net sales were $625 million last year.

Total net sales excluding sub-advisory to Canada Life and to the Wealth Management segment for the three months ended March 31, 2023 were $170 million compared to net sales of $873 million last year. During the current quarter, investment returns resulted in assets increasing by $2.2 billion compared to a decrease of $4.0 billion last year.

Redemptions of long-term mutual funds in the first quarter ended March 31, 2023, were $2.2 billion, compared to $2.3 billion last year. Mackenzie's annualized quarterly redemption rate for long-term mutual funds was 15.9% in the first quarter of 2023, compared to 15.4% in the first quarter of 2022. Mackenzie's twelve-month trailing redemption rate for long-term mutual funds was 16.1% at March 31, 2023, compared to 13.1% last year. The corresponding average twelve-month trailing redemption rate for long-term mutual funds for all other members of IFIC was approximately 16.3% at March 31, 2023. Mackenzie's twelve-month trailing redemption rate is comprised of the weighted average redemption rate for front-end load assets, deferred sales charge and low load assets with redemption fees, and deferred sales charge assets without redemption fees (matured assets). Generally, redemption rates for front-end load assets and matured assets are higher than the redemption rates for deferred sales charge and low load assets with redemption fees.

Table 14: Change in Investment Fund Assets Under Management – Asset Management[1]

Three months ended *($ millions)*	**2023 Mar. 31**	2022 Dec. 31	2022 Mar. 31	Change 2022 Dec. 31	Change 2022 Mar. 31
Sales	**$ 2,289**	$ 1,559	$ 2,921	46.8 %	(21.6)%
Redemptions	**2,203**	2,525	2,339	(12.8)	(5.8)
Mutual fund net sales (redemptions)[2]	**86**	(966)	582	N/M	(85.2)
ETF net creations	**(14)**	134	718	N/M	N/M
Investment fund net sales (redemptions)[3][4]	**72**	(832)	1,300	N/M	(94.5)
Investment returns	**1,851**	2,934	(3,523)	(36.9)	N/M
Net change in assets	**1,923**	2,102	(2,223)	(8.5)	N/M
Beginning assets	**59,653**	57,551	68,362	3.7	(12.7)
Ending assets	**$ 61,576**	$ 59,653	$ 66,139	3.2 %	(6.9)%
Consists of:					
Mutual funds	**$ 56,490**	$ 54,434	$ 60,291	3.8 %	(6.3)%
ETFs	**5,086**	5,219	5,848	(2.5)	(13.0)
Investment funds[4]	**$ 61,576**	$ 59,653	$ 66,139	3.2 %	(6.9)%
Daily average investment fund assets	**$ 60,886**	$ 59,421	$ 66,254	2.5 %	(8.1)%

(1) Investment fund assets under management and net sales excludes investments into Mackenzie mutual funds and ETFs by IGM Financial's investment funds.
(2) ETFs – During the first quarter of 2022, Wealthsimple made allocation changes which resulted in $675 million in purchases in Mackenzie ETFs.
(3) Total investment fund net sales and assets under management exclude Mackenzie mutual fund investments in ETFs.
(4) Effective January 2023, Mackenzie investment fund products sold through IG Wealth Management are reclassified from Investment funds to Sub-advisory and AUM to Wealth Management.

During the three months ended March 31, 2022, an institutional investor redeemed $291 million within products that Mackenzie sub-advises and Wealthsimple made allocation changes which resulted in $675 million in purchases in Mackenzie ETFs. Excluding these two transactions, total net sales excluding sub-advisory to Canada Life and to the Wealth Management segment for the three months ended March 31, 2022 were $489 million.

As at March 31, 2023, Mackenzie's sub-advisory to Canada Life were $48.6 billion compared to $51.5 billion at March 31, 2022.

As at March 31, 2023, Mackenzie's sub-advisory and AUM to the Wealth Management segment were $76.8 billion or 70.5% of total Wealth Management assets under management compared to $80.8 billion or 71.9% of total Wealth Management assets under management at March 31, 2022.

Change in Assets under Management – Q1 2023 vs. Q4 2022

Mackenzie's total assets under management at March 31, 2023 were $193.8 billion, an increase of 3.8% from $186.6 billion at December 31, 2022. Third party assets under management were $117.0 billion, an increase of 3.4% from $113.1 billion at December 31, 2022.

Investment fund assets under management were $61.6 billion at March 31, 2023, an increase of 3.2% from $59.7 billion at December 31, 2022. Mackenzie's mutual fund assets under management were $56.5 billion at March 31, 2023, an increase of 3.8% from $54.4 billion at December 31, 2022. Mackenzie's ETF assets were $5.1 billion at March 31, 2023 compared to $5.2 billion at December 31, 2022. ETF assets inclusive of IGM Financial's managed products were $12.8 billion at March 31, 2023 compared to $12.4 billion at December 31, 2022.

For the quarter ended March 31, 2023, Mackenzie mutual fund gross sales were $2.3 billion, an increase of 46.8% from the fourth quarter of 2022. Mutual fund redemptions were $2.2 billion, a decrease of 12.8% from the fourth quarter of 2022. Net sales of Mackenzie mutual funds for the current quarter were $86 million compared with net redemptions of $966 million in the previous quarter.

Redemptions of long-term mutual fund assets in the current quarter were $2.2 billion, compared to $2.5 billion in the fourth quarter. Mackenzie's annualized quarterly redemption rate for long-term mutual funds for the current quarter was 15.9% compared to 18.2% in the fourth quarter.

For the quarter ended March 31, 2023, Mackenzie ETF net creations were ($14) million compared to $134 million in the fourth quarter.

Investment fund net sales in the current quarter were $72 million compared to net redemptions of $832 million in the fourth quarter.

As at March 31, 2023, Mackenzie's sub-advisory to Canada Life were $48.6 billion compared to $47.0 billion at December 31, 2022.

As at March 31, 2023, Mackenzie's sub-advisory and AUM to the Wealth Management segment were $76.8 billion or 70.5% of total Wealth Management assets under management compared to $73.5 billion or 70.8% of total Wealth Management assets under management at December 31, 2022.

Investment Management

Mackenzie has $193.8 billion in assets under management at March 31, 2023, including $76.8 billion of sub-advisory mandates to the Wealth Management segment. It has teams located in Toronto, Montreal, Winnipeg, Vancouver, Boston, Dublin and Hong Kong.

We continue to deliver our investment offerings through a boutique structure, with separate in-house investment teams which each have a distinct focus and investment approach. Our investment team currently consists of 17 boutiques. This boutique approach promotes diversification of styles and ideas and provides Mackenzie with a breadth of capabilities. Oversight is conducted through a common process intended to promote superior risk-adjusted returns over time. This oversight process focuses on i) identifying and encouraging each team's performance edge, ii) promoting best practices in portfolio construction, and iii) emphasizing risk management.

Mackenzie's 56% economic interest in Northleaf enhances its investment capabilities by offering global private equity, private credit and infrastructure investment solutions to our clients.

In addition to our own investment teams, Mackenzie supplements investment capabilities through the use of third party sub-advisors and strategic beta index providers in selected areas. These include Putnam Investments, TOBAM, ChinaAMC, and Impax Asset Management. With the launch of the suite the 25 Futurepath Funds for Primerica, the following third party sub-advisors were added: 1832 Asset Management, Addenda, Brandywine, Blackrock, and T. Rowe Price.

Over the past few years, Mackenzie undertook a number of initiatives on climate change in support of the global goal to reach net zero by 2050 which build upon Mackenzie's sustainability strategy. Recent initiatives include the following:

- Released 2030 interim net zero targets.
- Completed 60+ engagement meetings with investee companies that are high contributors to Mackenzie's financed emissions.
- Released inaugural engagement report showcasing the sustainability progress being made across investee companies.

Long-term investment performance is a key measure of Mackenzie's ongoing success. At March 31, 2023, 63.9% of Mackenzie mutual fund assets were rated in the top two performance quartiles for the one year time frame, 29.4% for the three year time frame and 64.8% for the five year time frame. Mackenzie also monitors its fund performance relative to the ratings it receives on its mutual funds from the Morningstar† fund ranking service. At March 31, 2023, 83.9% of Mackenzie mutual fund assets measured by Morningstar† had a rating of three stars or better and 43.8% had a rating of four or five stars. This compared to the Morningstar† universe of 85.8% for three stars or better and 49.9% for four and five star funds at March 31, 2023.

Products

Mackenzie continues to evolve its product shelf by providing enhanced investment solutions for financial advisors to offer their clients.

Mutual Funds

Mackenzie manages its product shelf through new fund launches and fund mergers to streamline fund offerings for advisors and investors.

Alternative Funds

Mackenzie currently has ten funds in the alternatives space including four products in collaboration with Northleaf Capital Partners (Northleaf) as part of its ongoing commitment to expand retail investor access to private market investment solutions.

Exchange Traded Funds

The addition of Exchange Traded Funds (ETF) has complemented Mackenzie's broad and innovative fund line-up and reflects its investor-focused vision to provide advisors and investors with new solutions to drive investor outcomes and achieve their personal goals. These ETFs offer investors another investment option when building long-term diversified portfolios.

Mackenzie's current line-up consists of 45 ETFs: 24 active and strategic beta ETFs and 21 traditional index ETFs. ETF assets under management ended the quarter at $12.8 billion, inclusive of $3.9 billion in investments from IGM managed products. This ranks Mackenzie in sixth place in the Canadian ETF industry for assets under management.

2023 Launches

Early in the second quarter of 2023, the Mackenzie Corporate Knights Global 100 Index ETF and Mackenzie Corporate Knights Global 100 Index Fund were launched. These new investment solutions allow investors to access opportunities within the Corporate Knights' top 100 global sustainable companies, which consists of a diverse selection of global companies with strong management, enduring financial strength and exceptional performance in 25 measures of sustainability developed and maintained by Corporate Knights.

Review of Segment Operating Results

The Asset Management segment includes revenue earned on sub-advisory and AUM to the Wealth Management segment.

The Asset Management segment adjusted net earnings are presented in Table 15. Adjusted net earnings for the first quarter of 2023 were $48.4 million, a decrease of 7.1% from the first quarter in 2022 and a decrease of 5.7% from the prior quarter.

Adjusted earnings before interest and taxes for the first quarter of 2023 were $71.3 million, a decrease of 6.6% from the first quarter in 2022 and a decrease of 6.2% from the prior quarter.

Q1 2023 vs. Q1 2022

Revenues

Asset management fees are classified as either Asset management fees – third party or Asset management fees – Wealth Management.

- Net asset management fees – third party is comprised of the following:
  - Asset management fees – third party consists of management and administration fees earned from our investment funds and management fees from our third party sub-advisory, institutional and other accounts. The largest component is management fees from our investment funds. The amount of management fees depends on the level and composition of assets under management. Management fee rates vary depending on the investment objective and the account type of the underlying assets under management. For example, equity-based mandates have higher management fee rates than exchange traded funds, fixed income mandates and retail mutual fund accounts have higher management fee rates than sub-advised and institutional accounts. The majority of Mackenzie's mutual fund assets are retail and sold through third party financial advisors.
  - Redemption fees – consists of fees earned from the redemptions of mutual fund assets sold on a deferred

Table 15: Operating Results – Asset Management

				Change	
Three months ended *($ millions)*	**2023 Mar. 31**	2022 Dec. 31	2022 Mar. 31	2022 Dec. 31	2022 Mar. 31
Revenues					
Asset management					
Asset management fees – third party	**$ 232.4**	$ 232.5	$ 254.8	– %	(8.8)%
Redemption fees	**0.9**	0.7	1.0	28.6	(10.0)
	233.3	233.2	255.8	–	(8.8)
Dealer compensation expenses					
Asset-based compensation	**(78.7)**	(76.9)	(86.1)	2.3	(8.6)
Sales-based compensation	**–**	–	(5.0)	–	(100.0)
	(78.7)	(76.9)	(91.1)	2.3	(13.6)
Net asset management fees – third party	**154.6**	156.3	164.7	(1.1)	(6.1)
Asset management fees – Wealth Management	**28.5**	27.3	29.0	4.4	(1.7)
Net asset management	**183.1**	183.6	193.7	(0.3)	(5.5)
Net investment income and other	**4.5**	5.6	(2.6)	(19.6)	N/M
	187.6	189.2	191.1	(0.8)	(1.8)
Expenses					
Advisory and business development	**22.7**	21.3	20.2	6.6	12.4
Operations and support	**92.5**	90.9	93.1	1.8	(0.6)
Sub-advisory	**1.1**	1.0	1.5	10.0	(26.7)
	116.3	113.2	114.8	2.7	1.3
Adjusted earnings before interest and taxes(1)	**71.3**	76.0	76.3	(6.2)	(6.6)
Interest expense	**5.8**	5.9	5.8	(1.7)	–
Adjusted earnings before income taxes(1)	**65.5**	70.1	70.5	(6.6)	(7.1)
Income taxes	**17.1**	18.8	18.4	(9.0)	(7.1)
Adjusted net earnings(1)	**$ 48.4**	$ 51.3	$ 52.1	(5.7)%	(7.1)%

(1) A non-IFRS financial measure – see Non-IFRS Financial Measures and Other Financial Measures section of this document.

sales charge purchase option and on a low load purchase option. Redemption fees charged for deferred sales charge assets range from 5.5% in the first year and decrease to zero after seven years. Redemption fees for low load assets range from 2.0% to 3.0% in the first year and decrease to zero after two or three years, depending on the purchase option.

- Dealer compensation expenses – consists of asset-based and sales-based compensation. Asset-based compensation represents trailing commissions paid to dealers on certain classes of retail mutual funds and are calculated as a percentage of mutual fund assets under management. These fees vary depending on the fund type and the purchase option upon which the fund was sold: front-end, deferred sales charge or low load. Sales-based compensation are paid to dealers on the sale of mutual funds under the deferred sales charge purchase option and on a low load purchase option. Mackenzie stopped selling deferred sales charge purchase options and low load purchase options as of June 1, 2022, in accordance with regulatory changes.

• Asset management fees – Wealth Management consists of sub-advisory fees earned from the Wealth Management segment.

Net asset management fees – third party were $154.6 million for the three months ended March 31, 2023, a decrease of $10.1 million or 6.1% from $164.7 million last year. The decrease in net asset management fees – third party was due to a 7.9% decrease in average assets under management, as shown in Table 13, offset by an increase in the net asset management fee rate. Mackenzie's net asset management fee rate was 54.2 basis points for the three months ended March 31, 2023, compared to 53.2 basis points in the comparative period in 2022. The increase in rate was mostly driven by lower selling commissions.

Management fees – Wealth Management were $28.5 million for the three months ended March 31, 2023, a decrease of $0.5 million or 1.7% from $29.0 million last year. The decrease in management fees was primarily due to a 4.4% decrease in average assets under management. Mackenzie's management fee rate was 15.1 basis points for the three months ended March 31, 2023 compared to 14.7 basis points in the comparative period in 2022.

Net investment income and other primarily includes investment returns related to Mackenzie's investments in proprietary funds. These investments are generally made in the process of launching a fund and are sold as third party investors subscribe. Net investment income and other was $4.5 million for the three months ended March 31, 2023 compared to ($2.6) million last year.

Expenses

Mackenzie incurs advisory and business development expenses that primarily include wholesale distribution activities and these costs vary directly with assets or sales levels. Advisory and business development expenses were $22.7 million for the three months ended March 31, 2023, an increase of $2.5 million or 12.4% from $20.2 million in 2022.

Operations and support includes costs associated with business operations, including technology and business processes, in-house investment management and product shelf management, corporate management and support functions. These expenses primarily reflect compensation, technology and other service provider expenses. Operations and support expenses were $92.5 million for the three months ended March 31, 2023, a decrease of $0.6 million or 0.6% from $93.1 million in 2022.

Sub-advisory expenses were $1.1 million for the three months ended March 31, 2023, compared to $1.5 million in 2022.

Interest Expense

Interest expense, which includes allocated interest expense on long-term debt and interest expense on leases, totalled $5.8 million in the first quarter of 2023, unchanged from the comparative period in 2022. Long-term debt interest expense is calculated based on a long-term debt allocation of $0.4 billion to Mackenzie.

Q1 2023 vs. Q4 2022

Revenues

Net asset management fees – third party were $154.6 million for the current quarter, a decrease of $1.7 million or 1.1% from $156.3 million in the fourth quarter of 2022. Factors contributing to the net decrease were:

• Average assets under management were $115.7 billion in the current quarter, an increase of 2.7% from the prior quarter.
• Net asset management fee rate was 54.2 basis points for the current quarter compared to 55.1 basis points in the fourth quarter.
• There were two fewer calendar days in the first quarter of 2023 compared to the fourth quarter of 2022, which resulted in a decrease of management fees of $5.2 million.

Management fees – Wealth Management were $28.5 million in the current quarter, an increase of $1.2 million of 4.4% from $27.3 million in the fourth quarter of 2022. Factors contributing to the net increase were:

• Average assets under management were $76.3 billion in the current quarter, an increase of 3.6% from the prior quarter.

- Asset management fee rate was 15.1 basis points for the current quarter compared to 14.7 basis points in the fourth quarter.
- There were two fewer calendar days in the first quarter of 2023 compared to the fourth quarter of 2022, which resulted in a decrease of management fees of $0.6 million.

Net investment income and other was $4.5 million for the current quarter, compared to $5.6 million in the fourth quarter.

Expenses

Advisory and business development expenses were $22.7 million for the current quarter, an increase of $1.4 million or 6.6% from $21.3 million in the fourth quarter of 2022. The increase in the current quarter is due to higher wholesaler commissions and the timing of certain expenses.

Operations and support expenses were $92.5 million for the current quarter, an increase of $1.6 million or 1.8% from $90.9 million compared to the fourth quarter.

Sub-advisory expenses were $1.1 million for the current quarter, compared to $1.0 million in the fourth quarter.

Strategic Investments and Other

Review of Segment Operating Results

The Strategic Investments and Other segment includes investments in Great-West Lifeco Inc. (Lifeco), China Asset Management Co., Ltd. (ChinaAMC), Northleaf Capital Group Ltd. (Northleaf), Wealthsimple Financial Corp. (Wealthsimple), Portage Ventures LPs. (Portage), and unallocated capital.

Earnings from the Strategic Investments and Other segment include the Company's proportionate share of earnings of its associates, Lifeco, ChinaAMC and Northleaf as well as net investment income on unallocated capital.

On January 12, 2023, the Company closed the previously announced transaction to acquire Power's 13.9% interest in ChinaAMC as discussed in the Consolidated Financial Position section of this MD&A. To partially fund the transaction, IGM Financial sold 1.6% of its 4.0% interest in Lifeco.

Assets held by the Strategic Investments and Other segment are included in Table 16.

Unallocated capital represents capital not allocated to any of the operating companies and which would be available for investment, debt repayment, distribution to shareholders or other corporate purposes. This capital is invested in highly liquid, high quality financial instruments in accordance with the Company's Investment Policy.

Strategic Investments and Other segment adjusted net earnings are presented in Table 17.

Q1 2023 vs. Q1 2022

The proportionate share of associates' earnings increased by $4.6 million in the first quarter of 2023 compared to the first quarter of 2022. These earnings reflect equity earnings from Lifeco, ChinaAMC and Northleaf, as discussed in the Consolidated Financial Position section of this MD&A. The increase in the three month period was due to increases in the proportionate share of ChinaAMC earnings of $14.6 million and Northleaf earnings of $0.9 million, offset in part by a decrease in the proportionate share of Lifeco earnings of $10.1 million. The increase in ChinaAMC and decrease in Lifeco earnings reflect the previously discussed changes in IGM Financial's percentage ownership of those companies effective on January 12, 2023.

Net investment income and other was $3.4 million in the first quarter of 2023, an increase of $2.7 million from $0.7 million in 2022. The increase in the three month period from 2022 was primarily related to interest rate increases earned on the Company's unallocated capital.

Table 16: Total Assets – Strategic Investments and Other

($ millions)	**March 31, 2023**	December 31, 2022
Investments in associates		
Lifeco	**$ 571.0**	$ 939.5
ChinaAMC	**1,894.9**	787.2
Northleaf	**289.6**	284.5
Other	**39.9**	40.1
	2,795.4	2,051.3
FVTOCI investments		
Wealthsimple (direct investment only)	**484.1**	484.1
Portage and other investments	**121.3**	118.5
	605.4	602.6
Unallocated capital and other	**309.5**	782.3
Total assets	**$ 3,710.3**	$ 3,436.2
Lifeco fair value	**$ 792.7**	$ 1,168.3

Table 17: Operating Results – Strategic Investments and Other

Three months ended ($ millions)	2023 Mar. 31	2022 Dec. 31	2022 Mar. 31	Change 2022 Dec. 31	Change 2022 Mar. 31
Revenues					
Net investment income and other	**$ 3.4**	$ 7.4	$ 0.7	(54.1)%	N/M %
Proportionate share of associates' earnings					
Investment in Lifeco	**20.6**	40.9	30.7	(49.6)	(32.9)
Investment in ChinaAMC	**28.1**	14.2	13.5	97.9	108.1
Investment in Northleaf	**5.1**	10.7	4.2	(52.3)	21.4
Other	**(0.8)**	(0.4)	–	100.0	N/M
	53.0	65.4	48.4	(19.0)	9.5
	56.4	72.8	49.1	(22.5)	14.9
Expenses					
Operations and support	**1.1**	0.4	1.4	175.0	(21.4)
Adjusted earnings before income taxes[(1)]	**55.3**	72.4	47.7	(23.6)	15.9
Income taxes	**3.6**	4.8	1.1	(25.0)	227.3
Adjusted net earnings[(1)]	**51.7**	67.6	46.6	(23.5)	10.9
Non-controlling interest	**1.0**	2.1	0.8	(52.4)	25.0
Adjusted net earnings available to common shareholders[(1)]	**$ 50.7**	$ 65.5	$ 45.8	(22.6)%	10.7 %

(1) A non-IFRS financial measure – see Non-IFRS Financial Measures and Other Financial Measures section of this document.

Q1 2023 vs. Q4 2022

The proportionate share of associates' earnings was $53.0 million in the first quarter of 2023, a decrease of $12.4 million from the fourth quarter of 2022, primarily due to decreases in the proportionate share of Lifeco earnings and Northleaf earnings offset in part by an increase in the proportionate share of ChinaAMC earnings. Net investment income and other was $3.4 million in the first quarter of 2023, a decrease of $4.0 million from $7.4 million in the fourth quarter. The decrease in Net investment income and other for the first quarter of 2023 compared to the prior quarter was primarily related to interest on the Company's unallocated capital.

IGM Financial Inc.

Consolidated Financial Position

IGM Financial's total assets were $19.0 billion at March 31, 2023, compared to $18.7 billion at December 31, 2022.

Other Investments

The composition of the Company's securities holdings is detailed in Table 18.

Fair Value Through Other Comprehensive Income (FVTOCI)

Gains and losses on FVTOCI investments are recorded in Other comprehensive income.

Corporate Investments

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) and are recorded at FVTOCI.

Wealthsimple is a financial company that provides simple digital tools for growing and managing your money.

The Company is the largest shareholder in Wealthsimple with a combined direct and indirect interest of 24% and a fair value of $492 million at March 31, 2023, unchanged from 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.

Portage consists of early-stage investment funds dedicated to backing innovating financial services companies and are controlled by Power Corporation of Canada.

The total fair value of Corporate investments of $605 million at March 31, 2023 is presented net of certain costs incurred within the limited partnership structures holding the underlying investments.

Fair Value Through Profit or Loss (FVTPL)

Securities classified as FVTPL include equity securities and proprietary investment funds. Gains and losses are recorded in Net investment income and other in the Consolidated Statements of Earnings.

Certain proprietary investment funds are consolidated where the Company has made the assessment that it controls the investment fund. The underlying securities of these funds are classified as FVTPL.

Loans

The composition of the Company's loans is detailed in Table 19.

Loans consisted of residential mortgages and represented 25.7% of total assets at March 31, 2023, compared to 26.8% at December 31, 2022.

Loans measured at amortized cost are primarily comprised of residential mortgages sold to securitization programs sponsored by third parties that in turn issue securities to investors. An offsetting liability, Obligations to securitization entities, has been recorded and totalled $4.6 billion at March 31, 2023, unchanged from December 31, 2022.

The Company holds loans pending sale or securitization. Loans measured at fair value through profit or loss are residential mortgages held temporarily by the Company pending sale. Loans held for securitization are carried at amortized cost.

Table 18: Other Investments

	March 31, 2023		December 31, 2022	
($ millions)	**Cost**	**Fair Value**	Cost	Fair Value
Fair value through other comprehensive income				
Corporate investments	**$ 242.7**	**$ 605.4**	$ 242.7	$ 602.6
Fair value through profit or loss				
Equity securities	**12.7**	**13.0**	12.7	12.9
Proprietary investment funds	**153.7**	**157.2**	156.7	159.0
	166.4	**170.2**	169.4	171.9
	$ 409.1	**$ 775.6**	$ 412.1	$ 774.5

Table 19: Loans

($ millions)	March 31, 2023	December 31, 2022
Amortized cost	$ 4,879.5	$ 5,022.3
Less: Allowance for expected credit losses	0.8	0.8
	4,878.7	5,021.5
Fair value through profit or loss	11.6	–
	$ 4,890.3	$ 5,021.5

Total loans being held pending sale or securitization are $237.7 million at March 31, 2023, compared to $371.9 million at December 31, 2022.

Residential mortgages originated by IG Wealth Management are funded primarily through sales to third parties on a fully serviced basis, including Canada Mortgage and Housing Corporation (CMHC) or Canadian bank sponsored securitization programs. At March 31, 2023, IG Wealth Management serviced $8.9 billion of residential mortgages, including $2.1 billion originated by subsidiaries of Lifeco.

Securitization Arrangements

Through the Company's mortgage banking operations, residential mortgages are sold to securitization trusts sponsored by third parties that in turn issue securities to investors. The Company securitizes residential mortgages through the CMHC sponsored National Housing Act Mortgage-Backed Securities (NHA MBS) and the Canada Mortgage Bond Program (CMB Program) and through Canadian bank-sponsored asset-backed commercial paper (ABCP) programs. The Company retains servicing responsibilities and certain elements of credit risk and prepayment risk associated with the transferred assets. The Company's credit risk on its securitized mortgages is partially mitigated through the use of insurance. Derecognition of financial assets in accordance with IFRS is based on the transfer of risks and rewards of ownership. As the Company has retained prepayment risk and certain elements of credit risk associated with the Company's securitization transactions through the CMB and ABCP programs, they are accounted for as secured borrowings. The Company records the transactions under these programs as follows: i) the mortgages and related obligations are carried at amortized cost, with interest income and interest expense, utilizing the effective interest rate method, recorded over the term of the mortgages, ii) the component of swaps 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, are recorded at fair value, and iii) cash reserves held under the ABCP program are carried at amortized cost.

In the first quarter of 2023, the Company securitized loans through its mortgage banking operations with cash proceeds of $169.6 million compared to $351.4 million in 2022. Additional information related to the Company's securitization activities, including the Company's hedges of related reinvestment and interest rate risk, can be found in the Financial Risk section of this MD&A and in Note 6 to the Interim Financial Statements.

Investment in Associates

Great-West Lifeco Inc. (Lifeco)

At March 31, 2023, the Company held a 2.4% equity interest in Lifeco. IGM Financial and Lifeco are controlled by Power Corporation of Canada.

The equity method is used to account for IGM Financial's investment in Lifeco, as it exercises significant influence. Changes in the carrying value for the three months ended March 31, 2023 compared with 2022 are shown in Table 20.

On January 12, 2023, to partially fund the acquisition of an additional 13.9% interest in ChinaAMC, the Company 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 4.0% to 2.4%. IGM Financial's accounting gain on the sale of the Lifeco shares is $174.8 million after tax. Lifeco will be implementing IFRS 17 – *Insurance Contracts* effective January 1, 2023, which will impact the accounting gain ultimately recognized on the sale of Lifeco shares.

China Asset Management Co., Ltd. (ChinaAMC)

Founded in 1998 as one of the first fund management companies in China, ChinaAMC has developed and maintained a position among the market leaders in China's asset management industry.

ChinaAMC's total assets under management, excluding subsidiary assets under management, were RMB¥ 1,772.4 billion ($349.0 billion) at March 31, 2023, representing an increase of 2.9% (CAD$ 3.4%) from RMB¥ 1,721.6 billion ($337.6 billion) at December 31, 2022.

Table 20: Investment in Associates

($ millions)	March 31, 2023 Lifeco	ChinaAMC	Northleaf	Other	Total	March 31, 2022 Lifeco	ChinaAMC	Northleaf	Total
Three months ended									
Carrying value, January 1	**$ 939.5**	**$ 787.2**	**$ 284.5**	**$ 40.1**	**$ 2,051.3**	$ 885.1	$ 768.7	$ 258.8	$ 1,912.6
Investment	**–**	**1,154.1**	**–**	**0.6**	**1,154.7**	–	–	–	–
Disposition	**(391.6)**	**–**	**–**	**–**	**(391.6)**	–	–	–	–
Dividends	**(11.5)**	**(69.2)**	**–**	**–**	**(80.7)**	(18.3)	(31.3)	–	(49.6)
Proportionate share of:									
Earnings(1)	**20.6**	**28.1**	**5.1 (2)**	**(0.8)**	**53.0**	30.7	13.5	4.2 (2)	48.4
Other comprehensive income (loss) and other adjustments	**14.0**	**(5.3)**	**–**	**–**	**8.7**	(0.9)	(7.2)	–	(8.1)
Carrying value, March 31	**$ 571.0**	**$ 1,894.9**	**$ 289.6**	**$ 39.9**	**$ 2,795.4**	$ 896.6	$ 743.7	$ 263.0	$ 1,903.3

(1) The proportionate share of earnings from the Company's investment in associates is recorded in the Strategic Investments and Other segment.

(2) The Company's proportionate share of Northleaf's earnings, net of Non-controlling interest, was $4.1 million for the first quarter of 2023 compared to $3.4 million in the first quarter of 2022.

The equity method is used to account for the Company's 27.8% equity interest in ChinaAMC, as it exercises significant influence. Changes in the carrying value for the three months ended March 31, 2023 are shown in Table 20. The increase in Other comprehensive income of negative $5.3 million in the three months ended March 31, 2023, was due to a 0.4% depreciation of the Chinese yuan relative to the Canadian dollar.

On January 12, 2023, the Company acquired an additional 13.9% interest in ChinaAMC for cash consideration of $1.15 billion from Power which increased the Company's equity interest in ChinaAMC from 13.9% to 27.8%.

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 equity 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, participating in the policy making process and shared strategic initiatives.

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

Northleaf's assets under management, including invested capital and uninvested commitments, were $24.7 billion as at March 31, 2023, representing an increase of $0.6 billion or 2.5% from $24.1 billion at December 31, 2022. The increase during the three month period was driven by $0.8 billion in new commitments offset in part by a decrease of $0.1 billion related to foreign exchange on USD denominated assets, and a decrease of $0.1 billion related to return of capital and other.

Consolidated Liquidity and Capital Resources

Liquidity

Cash and cash equivalents totalled $516.4 million at March 31, 2023 compared with $1,072.9 million at December 31, 2022 and $1,184.7 million at March 31, 2022. Cash and cash equivalents related to the Company's deposit operations were $1.1 million at March 31, 2023, compared to $0.8 million at December 31, 2022 and $1.0 million at March 31, 2022, as shown in Table 21.

Client funds on deposit represents cash balances held by clients within their investment accounts and with the offset included in deposit liabilities.

Working capital, which consists of current assets less current liabilities excluding assets and liabilities held for sale, totalled $386.2 million at March 31, 2023, compared with $846.8 million at December 31, 2022 and $887.2 million at March 31, 2022 (Table 22).

Working capital, which includes unallocated capital, is utilized to:

- Finance ongoing operations, including the funding of sales commissions.
- Temporarily finance mortgages in its mortgage banking operations.
- Pay interest related to long-term debt.
- Maintain liquidity requirements for regulated entities.
- Pay quarterly dividends on its outstanding common shares.
- Finance common share repurchases and retirement of long-term debt.
- Capital investment in the business and business acquisitions.

IGM Financial continues to generate significant cash flows from its operations. Earnings before interest, taxes, depreciation and amortization before sales commissions (EBITDA before sales commissions), a non-IFRS measure (see Non-IFRS Financial Measures and Other Financial Measures), totalled $344.3 million for the first quarter of 2023 compared to $360.0 million for the first quarter of 2022 and $366.1 million for the fourth quarter of 2022 (Table 1).

Earnings before interest, taxes, depreciation and amortization after sales commissions (EBITDA after sales commissions), a non-IFRS measure (see Non-IFRS Financial Measures and Other Financial Measures), totalled $311.0 million in the first quarter of 2023 compared to $310.5 million in the first quarter of 2022 and $343.9 million in the fourth quarter of 2022 (Table 1).

Refer to the Financial Risk section of this MD&A for information related to other sources of liquidity and to the Company's exposure to and management of liquidity and funding risk.

Cash Flows

Table 23 – Cash Flows is a summary of the Consolidated Statements of Cash Flows which forms part of the Interim Financial Statements for the quarter ended March 31, 2023. Cash and cash equivalents decreased by $526.0 million in the first quarter of 2023 compared to a decrease of $107.7 million in 2022. Cash and cash equivalents from discontinued operations of $30.5 million have been reclassified as assets held for sale on the balance sheet at March 31, 2023.

Adjustments to determine net cash from operating activities during the first quarter of 2023 compared to 2022 consist of non-cash operating activities offset by cash operating activities:

- The add-back of amortization of capitalized sales commissions offset by the deduction of capitalized sales commissions paid.
- The add-back of amortization of capital, intangible and other assets.

Table 21: Deposit Operations – Financial Position

($ millions)	**2023 Mar. 31**	2022 Dec. 31	2022 Mar. 31
Assets			
Cash and cash equivalents	**$ 1.1**	$ 0.8	$ 1.0
Client funds on deposit	**4,210.9**	4,347.4	2,599.9
Accounts and other receivables	**0.3**	0.6	0.3
Loans	**9.5**	9.4	11.4
Total assets	**$ 4,221.8**	$ 4,358.2	$ 2,612.6
Liabilities and shareholders' equity			
Deposit liabilities	**$ 4,191.5**	$ 4,334.0	$ 2,592.6
Other liabilities	**21.2**	15.2	9.3
Shareholders' equity	**9.1**	9.0	10.7
Total liabilities and shareholders' equity	**$ 4,221.8**	$ 4,358.2	$ 2,612.6

Table 22: Working Capital

($ millions)	2023 Mar. 31	2022 Dec. 31	2022 Mar. 31
Current assets			
Cash and cash equivalents	**$ 516.4**	$ 1,072.9	$ 1,184.7
Client funds on deposit	**4,210.9**	4,347.4	2,599.9
Accounts receivable and other assets	**457.6**	462.6	458.4
Current portion of securitized mortgages and other	**1,098.9**	992.2	1,153.4
	6,283.8	6,875.1	5,396.4
Current liabilities			
Accounts and other payables	**635.2**	726.4	799.1
Deposits and certificates	**4,190.3**	4,332.8	2,591.3
Current portion of obligations to securitization entities and other	**1,072.1**	969.1	1,118.8
	5,897.6	6,028.3	4,509.2
Working capital	**$ 386.2**	$ 846.8	$ 887.2

- The deduction of investment in associates' equity earnings offset by dividends received.
- The add-back of pension and other post-employment benefits offset by cash contributions.
- Changes in operating assets and liabilities and other.
- The adjustment for other items in 2023 which included the gain on the partial sale of the Company's investment in Lifeco.
- The deduction of restructuring provision cash payments.

Financing activities during the first quarter of 2023 compared to 2022 related to:

- An increase in obligations to securitization entities of $196.2 million and repayments of obligations to securitization entities of $216.6 million in 2023 compared to an increase in obligations to securitization entities of $106.8 million and repayments of obligations to securitization entities of $328.9 million in 2022.
- The payment of regular common share dividends which totalled $133.7 million in 2023, compared to $134.8 million in 2022.

The first quarter of 2022 also included the purchase of 570,000 common shares under IGM Financial's normal course issuer bid at a cost of $25.7 million.

Investing activities during the first quarter of 2023 compared to 2022 primarily related to:

- The purchases of other investments totalling $21.6 million and sales of other investments with proceeds of $21.3 million in 2023 compared to $31.4 million and $5.3 million, respectively, in 2022.
- An increase in loans of $135.8 million with repayments of loans and other of $271.8 million in 2023 compared to $300.0 million and $537.0 million, respectively, in 2022 primarily related to residential mortgages in the Company's mortgage banking operations.

Table 23: Cash Flows

Three months ended *($ millions)*	2023 Mar. 31	2022 Mar. 31	Change
Operating activities			
Earnings before income taxes	**$ 447.1**	$ 283.9	57.5 %
Income taxes paid	**(67.3)**	(160.6)	58.1
Adjustments to determine net cash from operating activities	**(268.0)**	(58.3)	N/M
	111.8	65.0	72.0
Financing activities	**(145.7)**	(356.7)	59.2
Investing activities	**(492.1)**	184.0	N/M
Change in cash and cash equivalents	**(526.0)**	(107.7)	N/M
Cash and cash equivalents from continuing and discontinued operations, beginning of period	**1,072.9**	1,292.4	(17.0)
Cash and cash equivalents, end of period	**546.9**	$ 1,184.7	(53.8)%
Less: Cash and cash equivalents from discontinued operations, end of period	**30.5**		
Cash and cash equivalents, end of period – continuing operations	**$ 516.4**		

- Net cash used in additions to intangible assets was $18.7 million in 2023 compared to $14.5 million in 2022.
- Investment in ChinaAMC of $1,154.1 million in 2023.
- Sale of Lifeco shares with proceeds of $552.7 million in 2023.

Accumulated Other Comprehensive Income

Accumulated other comprehensive income totalled $356.6 million at March 31, 2023, compared to $745.3 million at March 31, 2022, as detailed in Table 24.

The disposal of investment in associate of $16.0 million represents the amount of accumulated other comprehensive transferred out as a result of the sale of Lifeco shares.

Capital Resources

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 which totalled $8.4 billion at March 31, 2023, compared to $8.2 billion at December 31, 2022. 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 $2.1 billion at March 31, 2023, unchanged from December 31, 2022. Long-term debt is comprised of debentures which are senior unsecured debt obligations of the Company subject to standard covenants, including negative pledges, but which do not include any specified financial or operational covenants.

Other activities in 2023 included the declaration of common share dividends of $133.9 million or $0.5625 per share. Changes in common share capital are reflected in the Consolidated Statements of Changes in Shareholders' Equity.

Standard & Poor's (S&P) current rating on the Company's senior unsecured debentures is "A" with a stable outlook. DBRS Morningstar's current rating on the Company's senior unsecured debentures is "A (High)" with a stable rating trend.

Credit ratings are intended to provide investors with an independent measure of the credit quality of the securities of a company and are indicators of the likelihood of payment and the capacity of a company to meet its obligations in accordance with the terms of each obligation. Descriptions of the rating categories for each of the agencies set forth below have been obtained from the respective rating agencies' websites.

These ratings are not a recommendation to buy, sell or hold the securities of the Company and do not address market price or other factors that might determine suitability of a specific security for a particular investor. The ratings also may not reflect the potential impact of all risks on the value of securities and are subject to revision or withdrawal at any time by the rating organization.

The A rating assigned to IGM Financial's senior unsecured debentures by S&P is the sixth highest of the 22 ratings used for long-term debt. This rating indicates S&P's view that the Company's capacity to meet its financial commitment on the

Table 24: Accumulated Other Comprehensive Income (Loss)

($ millions)	Employee Benefits	Other Investments	Investment in Associates and Other	Total
2023				
Balance, January 1	**$ 4.3**	**$ 309.7**	**$ 48.8**	**$ 362.8**
Other comprehensive income (loss)	**(0.9)**	**2.3**	**8.4**	**9.8**
Disposal of investment in associate	**–**	**–**	**(16.0)**	**(16.0)**
Balance, March 31	**$ 3.4**	**$ 312.0**	**$ 41.2**	**$ 356.6**
2022				
Balance, January 1	$ (95.7)	$ 919.2	$ 59.6	$ 883.1
Other comprehensive income (loss)	69.7	(198.8)	(8.7)	(137.8)
Balance, March 31	$ (26.0)	$ 720.4	$ 50.9	$ 745.3

obligation is strong, but the obligation is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rated categories.

The A (High) rating assigned to IGM Financial's senior unsecured debentures by DBRS Morningstar is the fifth highest of the 26 ratings used for long-term debt. Under the DBRS Morningstar long-term rating scale, debt securities rated A (High) are of good credit quality and the capacity for the payment of financial obligations is substantial, but of lesser credit quality than AA. While this is a favourable rating, entities in the A (High) category may be vulnerable to future events, but qualifying negative factors are considered manageable.

Financial Instruments

Table 25 presents the carrying amounts and fair values of financial assets and financial liabilities. The table 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.

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 held for trading are valued using market interest rates for loans with similar credit risk and maturity, specifically lending rates offered to retail borrowers by financial institutions.
- Loans classified as amortized cost are valued by discounting the expected future cash flows at prevailing market yields.
- Valuation methods used for Other investments classified as FVOCI 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.

See Note 14 of the Interim Financial Statements which provides additional discussion on the determination of fair value of financial instruments.

Although there were changes to both the carrying values and fair values of financial instruments, these changes did not have a material impact on the financial condition of the Company for the three months ended March 31, 2023.

Table 25: Financial Instruments

	March 31, 2023		December 31, 2022	
($ millions)	**Carrying Value**	**Fair Value**	Carrying Value	Fair Value
Financial assets recorded at fair value				
Other investments				
– Fair value through other comprehensive income	**$ 605.4**	**$ 605.4**	$ 602.6	$ 602.6
– Fair value through profit or loss	**170.2**	**170.2**	171.9	171.9
Loans				
– Fair value through profit or loss	**11.6**	**11.6**	–	–
Derivative financial instruments	**52.7**	**52.7**	63.7	63.7
Financial assets recorded at amortized cost				
Loans				
– Amortized cost	**4,878.7**	**4,773.7**	5,021.5	4,905.5
Financial liabilities recorded at fair value				
Derivative financial instruments	**47.2**	**47.2**	51.6	51.6
Financial liabilities recorded at amortized cost				
Deposits and certificates	**4,191.5**	**4,191.5**	4,334.0	4,334.0
Obligations to securitization entities	**4,573.3**	**4,541.0**	4,610.4	4,544.6
Long-term debt	**2,100.0**	**2,076.0**	2,100.0	2,013.9

Risk Management

IGM Financial is exposed to a variety of risks that are inherent in our business activities. Our ability to manage these risks is key to our ongoing success. The Company emphasizes a strong risk management culture and the implementation of an effective risk management approach. Our approach coordinates risk management across the organization and its business units and seeks to ensure prudent and measured risk-taking in order to achieve an appropriate balance between risk and return. Fundamental to our enterprise risk management program is protecting and enhancing our reputation.

Risk Management Framework

The Company's risk management approach is undertaken through our comprehensive Enterprise Risk Management (ERM) Framework which is composed of five core elements: risk governance, risk appetite, risk principles, a defined risk management process, and risk management culture. The ERM Framework is established under our ERM Policy, which is approved by the Executive Risk Management Committee.

Risk Governance

Our risk governance structure emphasizes ownership of risk management in each business unit and oversight by an Executive Risk Management Committee accountable to the Risk Committee of the Board (Risk Committee) and ultimately to the Board of Directors. Additional oversight is provided by the ERM, Compliance and Internal Audit Departments.

The Risk Committee provides primary oversight and carries out its risk management mandate. The Risk Committee is responsible for assisting the Board in reviewing and overseeing the risk governance structure and risk management program of the Company by: i) ensuring that appropriate procedures are in place to identify and manage risks and establish risk tolerances, ii) ensuring that appropriate policies, procedures and controls are implemented to manage risks, and iii) reviewing the risk management process on a regular basis to ensure that it is functioning effectively.

Other specific risks are managed with the support of the following Board committees:

- The Audit Committee has specific risk oversight responsibilities in relation to financial disclosure, internal controls and the control environment as well as our compliance activities, including administration of the Code of Conduct.
- The Human Resource Committee oversees compensation policies and practices.
- The Governance and Nominating Committee oversees corporate governance practices.
- The Related Party and Conduct Review Committee oversees conflicts of interest.

Management oversight for risk management resides with the Executive Risk Management Committee which is comprised of the Chief Executive Officers of IGM Financial, IG Wealth Management, Mackenzie Investments and Investment Planning Counsel, the Chief Financial Officer, the General Counsel, the Chief Operating Officer, and the Chief Human Resources Officer. In April 2022, the Company appointed its first Chief Risk Officer who chairs the Executive Risk Management Committee. The committee is responsible for oversight of IGM Financial's risk management process by: i) establishing and maintaining the risk framework and policy; ii) defining the risk appetite; iii) ensuring our risk profile and processes are aligned with corporate strategy and risk appetite; and iv) establishing "tone at the top" and reinforcing a strong culture of risk management.

The Chief Executive Officers of the operating companies have overall responsibility for overseeing risk management of their respective companies.

The Company has assigned responsibility for risk management using the Three Lines of Defence model, with the First Line reflecting the business units having primary responsibility for risk management, supported by Second Line risk management functions and a Third Line (the Internal Audit function) providing assurance and validation of the design and effectiveness of the ERM Framework.

First Line of Defence

The leaders of the various business units and support functions have primary ownership and accountability for the ongoing risk management associated with their respective activities. Responsibilities of business unit and support function leaders include: i) establishing and maintaining procedures for the identification, assessment, documentation and escalation of risks, ii) implementing control activities to mitigate risks, iii) identifying opportunities for risk reduction or transfer, and iv) aligning business and operational strategies with the risk culture and risk appetite of the organization as established by the Risk Management Committee.

Second Line of Defence

The Enterprise Risk Management (ERM) Department provides oversight, analysis and reporting to the Risk Management Committee on the level of risks relative to the established risk appetite for all activities of the Company. Other responsibilities include: i) developing and maintaining the enterprise risk management program and framework, ii) managing the enterprise risk management process, and iii) providing guidance and training to business unit and support function leaders.

The Company has a number of committees of senior business leaders which provide oversight of specific business risks, including the Financial Risk Management and Operational Risk Management committees. These committees perform critical reviews of risk assessments, risk management practices and risk response plans developed by business units and support functions.

Other oversight accountabilities reside with the Company's Legal and Compliance Departments which are responsible for ensuring compliance with policies, laws and regulations.

Third Line of Defence

The Internal Audit Department is the third line of defence and provides independent assurance to senior management and the Board of Directors on the effectiveness of the Company's risk management policies, processes and practices.

Risk Appetite and Risk Principles

The Risk Management Committee establishes the Company's appetite for different types of risk through the Risk Appetite Framework. Under the Risk Appetite Framework, one of four appetite levels is established for each risk type and business activity of the Company. These appetite levels range from those where the Company has no appetite for risk and seeks to minimize any losses, to those where the Company readily accepts exposure while seeking to ensure that risks are well understood and managed. These appetite levels guide our business units as they engage in business activities, and inform them in establishing policies, limits, controls and risk transfer activities.

A Risk Appetite Statement and Risk Principles provide further guidance to business leaders and employees as they conduct risk management activities. The Risk Appetite Statement's emphasis is to maintain the Company's reputation and brand, ensure financial flexibility, and focus on mitigating operational risk.

Risk Management Process

The Company's risk management process is designed to foster:

- Ongoing assessment of risks and tolerance in a changing operating environment.
- Appropriate identification and understanding of existing and emerging risks and risk response.
- Timely monitoring and escalation of risks based upon changing circumstances.

Significant risks that may adversely affect the Company's ability to achieve its strategic and business objectives are identified through the Company's ongoing risk management process.

We use a consistent methodology across our organizations and business units for identification and assessment of risks. Risks are assessed by evaluating the impact and likelihood of the potential risk event after consideration of controls and any risk transfer activities. The results of these assessments are considered relative to risk appetite and tolerances and may result in action plans to adjust the risk profile.

Risk assessments are monitored and reviewed on an ongoing basis by business units and by oversight areas including the ERM Department. The ERM Department promotes and coordinates communication and consultation to support effective risk management and escalation. The ERM Department regularly reports on the results of risk assessments and on the assessment process to the Risk Management Committee and to the Board Risk Committee.

Risk Management Culture

Risk management is intended to be everyone's responsibility within the organization. The ERM Department engages all business units in risk workshops and surveys to foster awareness and facilitate incorporation of our risk framework into our business activities.

We have an established business planning process which reinforces our risk management culture. Our compensation programs are typically objectives-based, and do not encourage or reward excessive or inappropriate risk taking, and often are aligned specifically with risk management objectives.

Our risk management program emphasizes integrity, ethical practices, responsible management and measured risk-taking with a long-term view. Our standards of integrity and ethics are reflected within our Code of Conduct which applies to directors, officers and employees.

Key Risks of the Business

Significant risks that may adversely affect our ability to achieve strategic and business objectives are identified through our ongoing risk management process.

We use a consistent methodology across our organizations and business units to identify and assess risks, considering factors both internal and external to the organization. These risks are broadly grouped into five categories: financial, operational, strategic, business, and environmental and social.

1) Financial Risk

Liquidity and Funding Risk

This 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.

Our 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) including sales to Canada Housing Trust under the CMB Program. The Company maintains committed capacity within certain Canadian bank-sponsored securitization trusts. 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's continued ability to fund residential mortgages through Canadian bank-sponsored securitization trusts and NHA MBS is dependent on securitization market conditions and government regulations that are subject to change. A condition of the NHA MBS and CMB Program is that securitized loans be insured by an insurer that is approved by CMHC. The availability of mortgage insurance is dependent upon market conditions and is subject to change.

The Company's contractual obligations are reflected in Table 26.

In addition to IGM Financial'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 March 31, 2023, unchanged from December 31, 2022. The lines of credit at March 31, 2023 consisted of committed lines of $650 million and uncommitted lines of $175 million, unchanged from December 31, 2022. Any advances made by a bank under the uncommitted lines of credit are at the bank's sole discretion. As at March 31, 2023 and December 31, 2022, the Company was not utilizing its committed lines of credit or its uncommitted lines of credit.

The actuarial valuation for funding purposes related to the Company's registered defined benefit pension plan, based on a measurement date of December 31, 2022, was completed during April 2023. 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 $70.5 million compared to a surplus of $14.4 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. The registered pension plan had a going concern surplus of $127.4 million compared to $95.0 million in the previous valuation. The next actuarial valuation will be based on a measurement date of December 31, 2025. During the three months ended March 31, 2023, the Company has made cash

Table 26: Contractual Obligations

As at March 31, 2023 *($ millions)*	Demand	Less than 1 Year	1–5 Years	After 5 Years	Total
Derivative financial instruments	$ –	$ 21.0	$ 26.1	$ 0.1	$ 47.2
Deposits and certificates[1]	4,190.0	0.3	0.5	0.7	4,191.5
Obligations to securitization entities	–	1,051.0	3,522.0	0.3	4,573.3
Leases[2]	–	29.8	88.3	108.3	226.4
Long-term debt	–	–	525.0	1,575.0	2,100.0
Total contractual obligations	$ 4,190.0	$ 1,102.1	$ 4,161.9	$ 1,684.4	$ 11,138.4

(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.

contributions of $2.8 million (2022 – $5.0 million). As a result of the valuation filed in April 2023, IGM Financial received a contribution holiday and is not allowed to make contributions to the pension plan. IGM Financial expects annual contributions of approximately $3.7 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.

Management believes cash flows from operations, available cash balances and other sources of liquidity described above are sufficient to meet the Company's liquidity needs. The Company continues to have the ability to meet its operational cash flow requirements, its contractual obligations, and its declared dividends. The current practice of the Company is to declare and pay dividends to common shareholders on a quarterly basis at the discretion of the Board of Directors. The declaration of dividends by the Board of Directors is dependent on a variety of factors, including earnings which are significantly influenced by the impact that debt and equity market performance has on the Company's fee income and commission and certain other expenses. The Company's liquidity position and its management of liquidity and funding risk have not changed materially since December 31, 2022.

Credit Risk

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.

Cash and Cash Equivalents and Client Funds on Deposit

At March 31, 2023, cash and cash equivalents of $516.4 million (December 31, 2022 – $1,072.9 million) consisted of cash balances of $263.6 million (December 31, 2022 – $346.3 million) on deposit with Canadian chartered banks and cash equivalents of $252.8 million (December 31, 2022 – $726.6 million). Cash equivalents are comprised of Government of Canada treasury bills totalling $0.5 million (December 31, 2022 – $81.6 million), provincial government treasury bills and promissory notes of $7.9 million (December 31, 2022 – $306.8 million), bankers' acceptances of $244.4 million (December 31, 2022 – $293.2 million) and other corporate commercial paper of nil (December 31, 2022 – $45.0 million).

IG Wealth Management's client funds on deposit of $4,210.9 million (December 31, 2022 – $4,029.7 million) are held with a Schedule 1 chartered bank and approximately 65% of the deposits were insured by the Canada Deposit Insurance Corporation at March 31, 2023. IPC's client funds on deposit of $284.4 million (December 31, 2022 – $317.7 million) included in assets held for sale at March 31, 2023 are held with a Schedule 1 chartered bank and approximately 82% of the deposits were insured by the Canada Deposit Insurance Corporation at March 31, 2023.

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.

The Company's exposure to and management of credit risk related to cash and cash equivalents and fixed income securities have not changed materially since December 31, 2022.

Mortgage Portfolio

At March 31, 2023, residential mortgages, recorded on the Company's balance sheet, of $4.9 billion (December 31, 2022 – $5.0 billion) consisted of $4.6 billion sold to securitization programs (December 31, 2022 – $4.6 billion), $237.7 million held pending sale or securitization (December 31, 2022 – $371.9 million) and $13.5 million related to the Company's intermediary operations (December 31, 2022 – $12.7 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 a 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 (December 31, 2022 – $2.5 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 (December 31, 2022 – $2.1 billion) is limited to amounts held in cash reserve accounts and future net interest income, the fair values of which were $54.4 million (December 31, 2022 – $55.2 million) and $19.8 million (December 31, 2022 – $21.3 million), respectively, at March 31, 2023. 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 March 31, 2023, residential mortgages recorded on balance sheet were 54.2% insured (December 31, 2022 – 53.3%). At March 31, 2023, impaired mortgages on these portfolios were $3.2 million, compared to $2.2 million at December 31, 2022. Uninsured non-performing mortgages over 90 days on these portfolios were $3.0 million at March 31, 2023, compared to $1.7 million at December 31, 2022.

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 March 31, 2023, unchanged from December 31, 2022, 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 mortgage portfolios have not changed materially since December 31, 2022.

Derivatives

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 of this MD&A.

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 $60.6 million (December 31, 2022 – $71.2 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 $5.2 million at March 31, 2023 (December 31, 2022 – $10.5 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 March 31, 2023. Management of credit risk related to derivatives has not changed materially since December 31, 2022.

Additional information related to the Company's securitization activities and utilization of derivative contracts can be found in Note 7 to the Interim Financial Statements and Notes 2, 7 and 23 to the Annual Financial Statements.

Market Risk

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

IGM Financial is exposed to interest rate risk on its mortgage portfolio and on certain of the derivative financial instruments used in our 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 $14.5 million (December 31, 2022 – $20.5 million) and an outstanding notional amount of $0.2 billion at March 31, 2023 (December 31, 2022 – $0.2 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 $15.9 million (December 31, 2022 – negative $19.6 million), on an outstanding notional amount of $1.4 billion at March 31, 2023 (December 31, 2022 – $1.3 billion). The net fair value of these swaps of negative $1.4 million at March 31, 2023 (December 31, 2022 – $0.9 million) is recorded on the balance sheet and has an outstanding notional amount of $1.6 billion (December 31, 2022 – $1.5 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 $3.7 million (December 31, 2022 – $4.7 million) on an outstanding notional amount of $118.8 million at March 31, 2023 (December 31, 2022 – $191.6 million).

As at March 31, 2023, the impact to annual net earnings of a 100 basis point increase in interest rates would have been nil (December 31, 2022 – decrease of $1.7 million). The Company's exposure to and management of interest rate risk have not changed materially since December 31, 2022.

Equity Price Risk

IGM Financial is exposed to equity price risk on our equity investments which are classified as either fair value through other comprehensive income or fair value through profit or loss, and on our investments in associates, which are accounted for using the equity method. The fair value of the other investments was $0.8 billion at March 31, 2023 (December 31, 2022 – $0.8 billion), as shown in Table 18, and the carrying value of the investment in associates was $2.8 billion at March 31, 2023 (December 31, 2022 – $2.1 billion), as shown in Table 16.

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

IGM Financial 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 March 31, 2023, a 5% appreciation (depreciation) in Canadian currency relative to foreign currencies would decrease (increase) the aggregate carrying value of foreign investments by approximately $89.8 million ($99.2 million).

The Company's proportionate share of ChinaAMC's earnings, recorded in Proportionate share of associates' earnings in the Consolidated Statements of Earnings, is also affected by changes in foreign exchange rates. For the quarter ended March 31, 2023, 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 $1.3 million ($1.5 million).

Risks Related to Assets Under Management and Advisement

At March 31, 2023, IGM Financial's total assets under management and advisement were $260.4 billion compared to $249.4 billion at December 31, 2022.

The Company's primary sources of revenues are advisory fees and asset management fees which are applied as an annual percentage of the level of assets under management and advisement. As a result, the level of the Company's revenues and earnings are indirectly exposed to a number of financial risks that affect the value of assets under management and advisement on an ongoing basis. These include market risks, such as changes in equity prices, interest rates and foreign exchange rates, as well as credit risk on debt securities, loans and credit exposures from other counterparties within our client portfolios.

Changing financial market conditions may also lead to a change in the composition of the Company's assets under management between equity and fixed income instruments, which could result in lower revenues depending upon the management fee rates associated with different asset classes and mandates.

The Company believes that over the long term, exposure to investment returns on its client portfolios is beneficial to the Company's results and consistent with stakeholder expectations, and generally it does not engage in risk transfer activities such as hedging in relation to these exposures.

The Company's exposure to the value of assets under management and advisement aligns it with the experience of its clients. Assets under management are broadly diversified by asset class, geographic region, industry sector, investment team and style. The Company regularly reviews the sensitivity of its assets under management, revenues, earnings and cash flow to changes in financial markets.

2) Operational Risk

This is the risk of financial loss, reputational damage or regulatory actions resulting from inadequate or failed internal processes or systems, human interaction or external events. This excludes business risk, which is a separate category in our ERM framework.

We are exposed to a broad range of operational risks, including information technology security and system failures, errors relating to transaction processing, financial models and valuations, fraud and misappropriation of assets, and inadequate application of internal control processes.

Table 27: IGM Financial Assets Under Management – Asset and Currency Mix

As at March 31, 2023	Investment Funds	Total
Cash	1.4 %	2.5 %
Short-term fixed income and mortgages	3.6	3.8
Other fixed income	22.7	22.1
Domestic equity	20.2	25.5
Foreign equity	49.4	44.0
Real Property	2.7	2.1
	100.0 %	100.0 %
CAD	48.2 %	54.0 %
USD	32.4	28.5
Other	19.4	17.5
	100.0 %	100.0 %

Operational risks relating to people and processes are mitigated through policies and process controls. Oversight of risks and ongoing evaluation of the effectiveness of controls is provided by the Company's Compliance Department, ERM Department and Internal Audit Department.

The Company has an insurance review process where it assesses and determines the nature and extent of insurance that is appropriate to provide adequate protection against unexpected losses, and where it is required by law, regulators or contractual agreements.

Operational risk affects all business activities, including the processes in place to manage other risks. As a result, operational risk can be difficult to measure, given that it forms part of other risks of the Company and may not always be separately identified.

The Company's risk management framework emphasizes operational risk management and internal control. The Company has a very low appetite for risk in this area.

The business unit leaders are responsible for management of the day to day operational risks of their respective business units. Specific programs, policies, training, standards and governance processes have been developed to help manage operational risk.

The Company has a crisis response plan which outlines crisis response coordination policies and procedures in the event of a crisis that could significantly impact the organization's reputation, brands or business operations. The Company executes simulation exercises on a regular basis. The Company has a crisis assessment team comprised of senior leadership who are responsible for crisis confirmation and management. In addition, this team is responsible for setting strategy, overseeing response and ensuring appropriate subject matter experts are engaged in the scenario-dependent crisis response team.

The Company also has a business continuity management program to enable critical operations and processes to function in the event of a business disruption.

The Company's business continuity plan has been effective at ensuring the Company is able to continue operations and provide client service with minimal disruptions.

Technology and Cyber Risk

We use systems and technology to support business operations and the client and advisor experience. As a result, we are exposed to risks relating to technology and cyber security such as data breaches, identity theft and hacking, including the risk of denial of service or malicious software attacks. The volume of these activities in our society has increased since the onset of COVID-19. Such attacks could compromise confidential information of the Company and that of clients or other stakeholders, and could result in negative consequences including lost revenue, litigation, regulatory scrutiny or reputational damage. To remain resilient to such threats, we have established enterprise-wide cyber security programs, benchmarked capabilities to sound industry practices, and implemented threat and vulnerability assessment and response capabilities. Hybrid work from home programs introduces increased need to mitigate risk of potential data loss.

Third Party Risk

We regularly engage third parties to provide expertise and efficiencies that support our operational activities. Our exposure to third party service provider risk could include reputational, regulatory and other operational risks. Policies, standard operating procedures and dedicated resources, including a supplier code of conduct and outsourcing policy, have been developed and implemented to specifically address third party service provider risk. We perform due diligence and monitoring activities before entering into contractual relationships with third-party service providers and on an ongoing basis. As our reliance on external service providers continues to grow, we continue to enhance resources and processes to support third party risk management.

Model Risk

We use a variety of models to assist in: the valuation of financial instruments, operational scenario testing, management of cash flows, capital management, and assessment of potential acquisitions. These models incorporate internal assumptions, observable market inputs and available market prices. Effective controls exist over the development, implementation and application of these models. However, changes in the internal assumptions or other factors affecting the models could have an adverse effect on the Company's consolidated financial position and reputation.

Legal and Regulatory Compliance Risk

This is the risk of not complying with laws, contractual agreements or regulatory requirements. These risks relate to regulation governing product distribution, investment management, accounting, reporting and communications.

IGM Financial is subject to complex and changing legal, taxation and regulatory requirements, including the requirements of agencies of the federal, provincial and territorial governments in Canada which regulate the Company and its activities. The Company and its subsidiaries are also subject to the requirements of self-regulatory organizations to which they belong. These and other regulatory bodies regularly adopt new laws, rules, regulations and policies that apply to the Company and its subsidiaries. These requirements include those that apply to IGM Financial as a publicly traded company and those that apply to the Company's subsidiaries based on the nature of their activities. They include regulations related to the management and provision of financial products and services, including securities, insurance and mortgages, and other activities carried on by the Company in the markets in which it operates. Regulatory standards affecting the Company and the financial services industry are significant and continually evolve. The Company and its subsidiaries are subject to reviews as part of the normal ongoing process of oversight by the various regulators.

Failure to comply with laws, rules or regulations could lead to regulatory sanctions and civil liability, and may have an adverse reputational or financial effect on the Company. The Company manages legal and regulatory compliance risk through its efforts to promote a strong culture of compliance. The monitoring of regulatory developments and their impact on the Company is overseen by the Regulatory Initiatives Committee chaired by the Executive Vice-President, General Counsel. The Company also continues to develop and maintain compliance policies, processes and oversight, including specific communications on compliance and legal matters, training, testing, monitoring and reporting. The Audit Committee of the Board receives regular reporting on compliance initiatives and issues.

IGM Financial promotes a strong culture of ethics and integrity through its Code of Conduct approved by the Board of Directors, which outlines standards of conduct that apply to all IGM Financial directors, officers and employees. The Code of Conduct references many policies relating to the conduct of directors, officers and employees. Other corporate policies cover anti-money laundering and privacy. Training is provided on these policies on an annual basis. Individuals subject to the Code of Conduct attest annually that they understand the requirements and have complied with its provisions.

Business units are responsible for management of legal and regulatory compliance risk, and implementing appropriate policies, procedures and controls. The Compliance Department is responsible for providing oversight of all regulated compliance activities. The Internal Audit Department also provides oversight concerning regulatory compliance matters.

Privacy Risk

Privacy risk is the potential for access to, collection, use, transfer, disclosure and retention of personal information in contravention of applicable laws, regulations and/or ethical standards. Our clients entrust us with their personal information, and we have a regulatory and ethical responsibility to protect it. We collect only the personal information that is necessary to provide our products and services to clients, and where we have consent to do so. We do not disclose or share personal information about clients unless required by law, when necessary to provide products or services to them, or as otherwise authorized by them.

If we need to share clients' personal information with third-party service providers, we remain responsible for that information and protect it through contractual and other measures that commit the service providers to maintain levels of protection comparable to ours.

IGM Financial has established an enterprise Privacy Risk Management Framework to manage privacy risk. Our Chief Privacy Officer (CPO) leads and oversees our privacy program, partnering with cross-functional teams to develop and implement enterprise-wide policies, standards and controls regarding the handling and safeguarding of personal information. Ultimately reporting to the CPO, enterprise and operating company privacy delegates work with front-line business units to address privacy matters.

Employees and advisors are required to complete mandatory privacy training at onboarding, and annually thereafter. The training includes our privacy obligations, privacy best practices, and how to prevent, handle and report privacy breaches, complaints and access to information requests.

Contingencies

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 (Mackenzie) 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. 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.

In late March 2023, the Company was notified by one of our third-party vendors, InvestorCOM Inc., that they were compromised due to a cybersecurity incident related to a technology supplier to InvestorCOM, GoAnywhere. On becoming aware of this incident, we took immediate steps to mitigate the issue and began a full cyber forensics investigation. As part of the investigation, we discovered that Mackenzie client account numbers, names, addresses and social insurance numbers were part of this incident. The Company has notified impacted clients and offered credit monitoring at no cost for two years to all clients. At this time, we expect known costs to be covered by the Company's insurance and the Company is currently unaware of any legal or regulatory actions related to this incident.

3) Strategic Risk

This is the risk of potential adverse impacts resulting from inadequate or inappropriate governance, oversight, management of incentives and conflicts, regulatory developments and strategy.

IGM Financial believes in the importance of good corporate governance and the central role played by directors in the governance process. We believe that sound corporate governance is essential to the well-being of the Company and our shareholders.

Oversight of IGM Financial is performed by the Board of Directors directly and through its five committees. The Company's President and Chief Executive Officer has overall responsibility for management of the Company. The Company's activities are carried out principally by three operating companies – Investors Group Inc., Mackenzie Financial Corporation and Investment Planning Counsel Inc. – each of which are managed by a President and Chief Executive Officer.

The Company also has a strategy execution oversight function and committee that reviews and approves strategic initiative business cases and oversees progress against our strategic priorities and objectives.

The President and Chief Executive Officer of the Company, in collaboration with the Board of Directors, is responsible each year to develop, review and update the Company's strategic plan. The strategic plan sets out both the annual and longer-term objectives for the Company in light of emerging opportunities and risks and with a view to the Company's sustained profitable growth and long-term value creation. The Board is responsible for approving the Company's overall business strategy. In carrying out this responsibility, the Board reviews the short-, medium- and long-term risks associated with the strategic plan, considers the strengths and potential weaknesses of trends and opportunities, and approves the Company's annual business, financial and capital management plans. A portion of each Board meeting is dedicated to discussion of strategic matters including receiving updates on the progress and implementation of the strategic plan.

Regulatory Development Risk

This is the potential for changes to regulatory, legal, or tax requirements that may have an adverse impact on the Company's business activities or financial results.

We are exposed to the risk of changes in laws, taxation and regulation that could have an adverse impact on the Company. Particular regulatory initiatives may have the effect of making the products of the Company's subsidiaries appear to be less competitive than the products of other financial service providers, to third party distribution channels and to clients. Regulatory differences that may impact the competitiveness of the Company's products include regulatory costs, tax treatment, disclosure requirements, transaction processes or other differences that may be as a result of differing regulation or application of regulation. Regulatory developments may also impact product structures, pricing, and dealer and advisor compensation. While the Company and its subsidiaries actively monitor such initiatives, and where feasible comment upon or discuss them with regulators, the ability of the Company and its subsidiaries to mitigate the imposition of differential regulatory treatment of financial products or services is limited.

The Company continuously monitors regulatory developments, guidance and communications.

Acquisition Risk

The Company is exposed to risks related to its acquisitions and strategic investments. The Company undertakes thorough due diligence prior to completing an acquisition, but there is no assurance that the Company will achieve the expected strategic objectives or cost and revenue synergies subsequent to an acquisition. Subsequent changes in the economic environment and other unanticipated factors may affect the Company's ability to achieve expected earnings growth or expense reductions. The success of an acquisition and of the Company's strategic investments is dependent on retaining assets under management, clients, and key employees of an acquired company.

4) Business Risk

General Business Conditions

This risk refers to the potential for unfavourable impacts on IGM Financial resulting from competitive or other external factors relating to the marketplace.

Global economic conditions, changes in equity markets, inflation and demographics can affect investor confidence, income levels and savings. In addition, geopolitical risk, government instability and other factors can influence inflation, interest rates, global economic growth, and business conditions in markets in which the Company operates. These environments could result in reduced sales of IGM Financial's products and services and/or result in investors redeeming their investments. These factors may also affect the level and volatility of financial markets and the value of the Company's assets under management, as described more fully under the Risks Related to Assets Under Management section of this MD&A.

To manage this risk, the Company, across its operating subsidiaries, communicates with clients and underscores the importance of financial planning across economic cycles. The Company and the industry continue to take steps to educate Canadian investors on the merits of financial planning, diversification and long-term investing. In periods of volatility, Wealth Management advisors and independent financial advisors play a key role in assisting investors in maintaining perspective and focus on their long-term objectives.

Redemption rates for long-term funds are summarized in Table 28 and are discussed in the Wealth Management and the Asset Management Segment Operating Results sections of this MD&A.

Catastrophic Events or Loss

Catastrophic events or loss refers to the risk that events such as earthquakes, floods, fire, tornadoes, pandemics, or terrorism could adversely affect the Company's financial performance.

Catastrophic events can cause economic uncertainty, affect investor confidence, income levels and financial planning decisions. This could affect the level and volatility of financial markets and the level of the Company's assets under management and advisement.

Product / Service Offering

This risk refers to the potential for unfavourable impacts on IGM Financial resulting from inadequate product or service performance, quality or breadth.

IGM Financial and its subsidiaries operate in a highly competitive environment, competing with other financial service providers, investment managers and product and service types. Client development and retention can be influenced by a number of factors, including investment performance, products and services offered by competitors, relative service levels, relative pricing, product attributes, reputation and actions taken by competitors. This competition could have an adverse impact upon the Company's financial position and operating results. Please refer to The Competitive Landscape section of this MD&A for further discussion.

We provide Wealth Management advisors, independent financial advisors, as well as retail and institutional clients with a high level of service and support and a broad range of investment products, with a focus on building enduring relationships. The Company's subsidiaries also continually review their respective product and service offering and pricing to ensure competitiveness in the marketplace.

We strive to deliver strong investment performance on our products relative to benchmarks and peers. Poor investment performance relative to benchmarks or peers could reduce the level of assets under management and sales and asset retention, as well as adversely impact our brands and reputation. Meaningful and/or sustained underperformance could affect the Company's results. Our objective is to cultivate investment processes and disciplines that give us a competitive advantage, and we do this by diversifying our assets under

Table 28: Twelve Month Trailing Redemption Rate for Long-term Funds

	2023 Mar. 31	2022 Mar. 31
IGM Financial Inc.		
IG Wealth Management	**10.7 %**	8.9 %
Mackenzie	**16.1 %**	13.1 %
Counsel	**21.2 %**	19.5 %

management and product shelf by investment team, brand, asset class, mandate, style and geographic region.

Business / Client Relationships

This risk refers to the potential for unfavourable impacts on IGM Financial resulting from changes to key business or client relationships. These relationships primarily include IG Wealth Management clients and advisors, Mackenzie retail distribution, strategic and significant business partners, clients of Mackenzie funds, and sub-advisors and other product suppliers.

IG Wealth Management advisor network – IG Wealth Management derives all of its mutual fund sales through its advisor network. IG Wealth Management advisors have regular direct contact with clients which can lead to a strong and personal client relationship based on the client's confidence in that individual advisor. The market for advisors is extremely competitive. The loss of a significant number of key advisors could lead to the loss of client accounts which could have an adverse effect on IG Wealth Management's results of operations and business prospects. IG Wealth Management is focused on strengthening its distribution network of advisors and on responding to the complex financial needs of its clients by delivering a diverse range of products and services in the context of personalized financial advice, as discussed in the Wealth Management Review of the Business section of this MD&A.

Asset Management – Mackenzie derives the majority of its mutual fund sales through third party financial advisors. Financial advisors generally offer their clients investment products in addition to, and in competition with Mackenzie. Mackenzie also derives sales of its investment products and services from its strategic alliance and institutional clients. Due to the nature of the distribution relationship in these relationships and the relative size of these accounts, gross sale and redemption activity can be more pronounced in these accounts than in a retail relationship. Mackenzie's ability to market its investment products is highly dependent on continued access to these distribution networks. Lack of access could have a material adverse effect on Mackenzie's operating results and business prospects. Mackenzie is well positioned to manage this risk and to continue to build and enhance its distribution relationships. Mackenzie's diverse portfolio of financial products and its long-term investment performance record, marketing, educational and service support has made Mackenzie one of Canada's leading investment management companies. These factors are discussed further in the Asset Management Review of the Business section of this MD&A.

People Risk

This risk refers to the potential inability to attract or retain employees or Wealth Management advisors, develop them to an appropriate level of proficiency, or manage engagement and personnel succession or transition.

Management, investment and distribution personnel play an important role in developing, implementing, managing and distributing products and services offered by IGM Financial. The loss of these individuals or an inability to attract, retain and engage sufficient numbers of qualified personnel could negatively affect IGM Financial's business and financial performance.

We have a Diversity, Equity and Inclusion Strategy with the purpose of driving an inclusive, equitable and consistent experience for employees and clients that supports our business objectives now and into the future. To achieve the desired outcomes, we focus on three pillars of action: raising awareness; improving inclusive leadership behaviours; and building external partnerships and community engagement.

We also have a Wellness Strategy to support our employees' wellbeing with a goal to ensure our employees are physically thriving, emotionally balanced, socially connected and financially secure.

5) Environmental and Social Risk (Including Climate Change)

This is the potential for financial loss or other unfavourable impacts resulting from environmental or social (E&S) issues connected to our business operations, investment activities, meeting our sustainability commitments, and increasingly for regulatory compliance. We recognize that E&S risks can be within our operations or impact stakeholders along our supply chain, including clients, investee companies and suppliers.

Environmental risks include issues such as climate change, biodiversity and land use, pollution, waste, and the unsustainable use of energy, water and other resources. Social risks include issues such as human rights; labour standards; diversity, equity and inclusion; Indigenous reconciliation; and community impacts.

IGM Financial has a long-standing commitment to responsible management, as articulated in our Corporate Sustainability Statement approved by the Board of Directors. Through its Risk Committee, the Board is responsible for ensuring that material E&S risks are appropriately identified, managed and monitored.

The Company's Executive Risk Management Committee is responsible for oversight of the risk management process, including E&S and climate change risks. Other management committees provide oversight of specific risks including the Sustainability Committee and the Diversity and Inclusion Executive Council. The Sustainability Committee is composed of senior executives who are responsible for ensuring implementation of policy and strategy, establishing goals and initiatives, measuring progress, and approving annual reporting for environmental, social and governance (ESG) matters.

Our commitment to responsible management is demonstrated through various mechanisms. These include our Code of Conduct for employees, contractors, and directors; our Supplier Code of Conduct; our Workplace Harassment and Discrimination Prevention Policy; our Diversity Policy; our Environmental Policy; and other related policies.

IG Wealth Management and Mackenzie Investments, and their investment sub-advisors, are signatories to the Principles for Responsible Investment (PRI). Under the PRI, investors formally commit to incorporate ESG issues into their investment decision making and active ownership processes. In addition, IG Wealth Management, Mackenzie Investments and Investment Planning Counsel have implemented Sustainable Investment Policies outlining the practices at each company.

IGM Financial reports annually on ESG management and performance in its Sustainability Report available on our website. The Company has been recognized for demonstrating strong ESG performance through positions earned on the FTSE4Good Index Series, Jantzi Social Index, Corporate Knights' 2023 Global 100 and 2022 Best 50 Corporate Citizens.

IGM Financial is a long-standing participant in the CDP (formerly Carbon Disclosure Project), which promotes corporate disclosures on greenhouse gas emissions and climate change management including setting and monitoring emission reduction targets. IGM Financial has been recognized by CDP at the leadership level for the past seven years for its climate disclosures.

Global practices are continually evolving relating to the identification, analysis, and management of climate risks and opportunities. The Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) was established in response to investor demand for enhanced information on climate-related risks and opportunities. IGM Financial and its operating companies support the TCFD recommendations which include a framework for consistent, voluntary climate-related financial disclosures that provide decision-useful information to investors, analysts, rating agencies and other stakeholders.

TCFD Disclosure

The TCFD recommends that organizations disclose information about climate-related risks and opportunities in four areas: governance, strategy, risk management, and metrics and targets. Full implementation of TCFD will be a multi-year journey.

Governance

Our Board is responsible for providing oversight on risk and strategy, which includes sustainability and climate-related matters. The Board meets with management at least annually to discuss plans and emerging ESG issues. Through its Risk Committee, the Board is responsible for ensuring that material ESG risks are appropriately identified, managed and monitored.

The senior-most leaders at each of our operating companies have primary ownership and accountability for the ongoing climate risk and opportunity management associated with their respective activities. IGM Financial's Risk Management and Sustainability Committees perform oversight functions, and our Chief Risk Officer oversees implementation of the Corporate Sustainability and Enterprise Risk Management programs.

We have established a cross-functional, enterprise wide TCFD Working Group of senior leaders to lead the planning and implementation of the TCFD recommendations. This working group is focused on enhancing our knowledge and tools to quantify climate risks in tandem with our industry, further integrating climate into our business strategy, operations and product offering, evolving our engagement approach with investee companies, and addressing increased disclosure expectations.

The Mackenzie Sustainability Steering Committee is responsible for approving and governing corporate and sustainability related policies; approval and oversight for investment stewardship priorities including climate; approval and monitoring for targets related to climate change; and evaluation of progress relative to key performance indicators, strategy roadmap, and the market.

The IG Wealth Management Sustainable Investing Committee is responsible for reviewing and approving sustainable investing and ESG matters including but not limited to evaluating and considering climate-related risks and opportunities.

Strategy

Through IGM Financial's wealth and asset management businesses, the company plays a role in the global transition to a low-carbon economy. In November 2021, IGM Financial detailed its climate commitments in a position statement on our website, with a focus on three key areas:

1. *Investing in a greener, climate resilient economy* – Our investment processes and products give us the opportunity to manage climate risks and create innovative solutions to our ongoing climate issues.
2. *Collaborating and engaging to help shape the global transition* – We play a role in bringing climate-smart investment advice and solutions to clients, helping companies adapt, and participating in industry and policy advancements.
3. *Demonstrating alignment through our corporate actions* – We will hold ourselves to a similar standard that we expect from the companies we invest in and empower our employees to stand behind our commitments.

Our operating companies are active participants in collaborative industry groups that support our climate commitments by engaging companies on improving climate change governance, reducing emissions and strengthening climate-related financial disclosures. IGM Financial also joined the Partnership for Carbon Accounting Financials (PCAF) to support our journey to measure and disclose the greenhouse gas emissions associated with our mortgage loans and investments.

Climate-related risks and opportunities are identified and assessed within IGM Financial through our business planning processes which define our strategic priorities, initiatives and budgets. Our climate-related risks and opportunities can be grouped into the physical impacts of climate change and the impacts related to the transition to a low-carbon economy.

Risks

Our climate risks relate primarily to the potential for physical or transition risks to: negatively affect the performance of our clients' investments, resulting in reduced fee revenue; harm our reputation; create market risks through shifts in product demand; or lead to new regulatory, legal or disclosure requirements that could affect our business. Diversification within and across our investment portfolios aids in managing exposure to any one company, sector or geographic region that might be exposed to climate-related risks. We are also exposed to the impact of extreme weather events on our corporate properties which could lead to business disruption, and on the valuations of investment properties and client mortgages, which if not addressed proactively, could affect financial performance and the ability to use the assets long-term.

Our operating companies are committed to sustainable investing programs and policies that include a focus on climate risk. We provide data and tools for our investment teams to carry out current and forward-looking climate analysis and we integrate material climate risks into our investment and oversight processes for investment management sub-advisors. As part of the hiring process and ongoing assessment of sub-advisors, our teams request information about how ESG, including climate risks and opportunities, is resourced, what processes and tools are used, metrics and targets, and how strategy and governance are influenced. As we continue to implement the TCFD recommendations, we are devoting increased resources to areas such as training, analysis, metrics, target-setting, strategy planning and working with collaborative organizations.

Opportunities

We are focused on meeting growing demand for sustainable investing and the opportunity to invest in the transition to a net-zero economy. We are also increasing our focus on educating and communicating with clients and advisors on sustainable investing and climate change.

At Mackenzie Investments, sustainable investing is an area of strategic emphasis, and we have established a dedicated team within Mackenzie who bring focus to ESG and climate across the organization. Mackenzie has two investment boutiques with this focus; Greenchip and Betterworld. The Greenchip boutique focuses on thematic investing to combat climate change and the Betterworld boutique focuses on solutions centered on sustainable objectives that incorporate environmental, social and governance factors.

At IG Wealth Management, we have integrated environmental and climate issues into our sub-advisory selection and oversight processes, and product development strategy. In October 2021, IG Wealth Management launched its Climate Action Portfolios, a suite of four diversified managed solutions which aim to provide clients with the opportunity to support and benefit from the global transition to net zero emissions.

Scenarios

We have implemented a tool for our investment funds to enhance our quantitative assessment of climate risks by analyzing emissions and other climate-related information at the investee company and portfolio levels. This system enables us to model potential transition pathways and track our portfolios against the goal of limiting global warming to 2°C above pre-industrial levels and examine the adequacy of emissions reductions over time in meeting the goals of the Paris Agreement. We are exploring scenario analysis tools with external data providers to support us in our efforts to run climate-related scenario analysis across our business.

Risk Management

Assessment and management of climate-related risks is integrated into our ERM framework. We use a consistent methodology across our organizations and business units for identification and assessment of risks, considering factors both internal and external to the organization. Risks are broadly grouped into five categories: financial, operational, strategic, business, and environmental and social. We are increasingly focused on defining the relationship of climate risk to other material risks.

At Mackenzie Investments, each boutique investment team is responsible for determining when and how climate transition and physical risks are material, and for incorporating these risks into their investment process. At IG Wealth Management and IPC, management evaluates the sustainable investing practices of investment manager sub-advisors, including the integration of climate risks into their investment and active ownership practice.

Engagement

To maximize stewardship efforts, engagement at Mackenzie is undertaken both internally and by a third-party engagement specialist where climate change is a priority engagement topic. At IPC, a pooled engagement service provider is used to work with companies to enhance corporate behaviour and strategy related to topics including climate change. At IG Wealth Management, investment management sub-advisors including Mackenzie are responsible for engagement activities and IG Wealth Management monitors their practices as part of regular due diligence and oversight.

Mackenzie Investments is a founding participant in Climate Engagement Canada and participates in CERES' Investor Network on Climate Risk. Both Mackenzie and IG joined Climate Action 100+ and became founding signatories to the Canadian Investor Statement on Climate Change.

Metrics and Targets

We set, monitor and report on climate change-related metrics and targets annually in our CDP response and our Sustainability Report which are available on our website.

We currently report Scope 1, 2 and 3 GHG emissions, where possible, including Scope 3 investment emissions related to our real assets in the IG Real Property Fund. We are continuing to expand and enhance our measurement and reporting of emissions related to our investment portfolios as tools and information improves.

During the year, IGM Financial achieved its 2022 target of being climate neutral in its corporate offices and travel. This was achieved by reducing emissions over time, using renewable energy sources and purchasing carbon offsets. Mackenzie Investments also set interim targets for investment portfolios as part of its commitment to the Net Zero Asset Managers Initiative. The long-term nature of these targets require significant judgement and the Company will provide updates on its progress through the Sustainability Report and CDP disclosure.

The Financial Services Environment

Canadians held $6.5 trillion in discretionary financial assets with financial institutions at December 31, 2021 based on the most recent report from Investor Economics. The nature of holdings was diverse, ranging from demand deposits held for short-term cash management purposes to longer-term investments held for retirement purposes. Approximately 64% ($4.1 trillion) of these financial assets are held within the context of a relationship with a financial advisor, and this is the primary channel serving the longer-term savings needs of Canadians. Of the $2.3 trillion held outside of a financial advisory relationship, approximately 53% consisted of bank deposits.

Financial advisors represent the primary distribution channel for IGM Financial's products and services, and the core emphasis of our business model is to support these financial advisors as they work with clients to plan for and achieve their financial goals. Multiple sources of emerging research show significantly better financial outcomes for Canadians who use financial advisors compared to those who do not. We actively promote the value of financial advice and the importance of a relationship with an advisor to develop and remain focused on long-term financial plans and goals.

Approximately 41% of Canadian discretionary financial assets or $2.6 trillion resided in investment funds at December 31, 2021, making it the largest financial asset class held by Canadians. Other asset types include deposit products and direct securities such as stocks and bonds. Approximately 75% of investment funds are comprised of mutual fund products, with other product categories including segregated funds, hedge funds, pooled funds, closed end funds and exchange traded funds. With $170 billion in investment fund assets under management at March 31, 2023, IGM Financial is among the country's largest investment fund managers. We believe that investment funds are likely to remain the preferred savings vehicle of Canadians. They offer the benefits of diversification, professional management, flexibility and convenience, and are available in a broad range of mandates and structures to meet most investor requirements and preferences.

Traditional distinctions between bank branches, full-service brokerages, financial planning firms and insurance agent sales forces have become obscured as many of these financial service providers strive to offer comprehensive financial advice implemented through access to a broad product shelf. Accordingly, the Canadian financial services industry is characterized by a number of large, diversified, vertically-integrated participants, similar to IGM Financial, that offer both financial planning and investment management services.

Canadian banks distribute financial products and services through their traditional bank branches, as well as through their full service and discount brokerage subsidiaries. Bank branches continue to place increased emphasis on both financial planning and mutual funds. In addition, each of the "big six" banks has one or more mutual fund management subsidiaries. Collectively, mutual fund assets of the "big six" bank-owned mutual fund managers and affiliated firms represented 46% of total industry long-term mutual fund assets at March 31, 2023.

The Canadian mutual fund industry continues to be very concentrated, with the 10 largest firms and their subsidiaries representing 69% of industry long-term mutual fund assets and 68% of total mutual fund assets under management at March 31, 2023. We anticipate continuing consolidation in this segment of the industry as smaller participants are acquired by larger organizations.

We believe that the financial services industry will continue to be influenced by the following trends:

- Shifting demographics as the number of Canadians in their prime savings and retirement years continues to increase.
- Changes in investor attitudes based on economic conditions.
- Continued importance of the role of the financial advisor.
- Public policy related to retirement savings.
- Changes in the regulatory environment.
- A highly competitive landscape.
- Advancing and changing technology.

The Competitive Landscape

Our subsidiaries, IG Wealth Management and Investment Planning Counsel, compete directly with other retail financial service providers in the advice segment, including other financial planning firms, as well as full service brokerages, banks and insurance companies. Our asset management subsidiary, Mackenzie Investments, competes directly with other investment managers for assets under management, and our products compete with stocks, bonds and other asset classes for a share of Canadians' investment assets.

Competition from other financial service providers, alternative product types or delivery channels, and changes in regulations or public preferences could impact the characteristics of our product and service offerings, including pricing, product structures, dealer and advisor compensation and disclosure. We monitor developments on an ongoing basis, and engage in policy discussions and develop product and service responses as appropriate.

IGM Financial continues to focus on our commitment to provide quality investment advice and financial products, service innovations, effective and responsible management of the Company and long-term value for our clients and shareholders. This includes efforts to modernize our digital platforms and technology infrastructure to enhance operations, achieve efficiencies and improve the service experience for our clients. We believe that IGM Financial is well-positioned to meet competitive challenges and capitalize on future growth opportunities.

Our competitive strength includes:

- Broad and diversified distribution through more than 35,000 financial advisors, with an emphasis on comprehensive financial planning.
- Broad product capabilities, leading brands and quality sub-advisory relationships.
- Enduring client relationships and the long-standing heritages and cultures of its subsidiaries.
- Benefits of being part of the Power Corporation group of companies.

Broad and Diversified Distribution

In addition to owning two of Canada's largest financial planning organizations, IG Wealth Management and Investment Planning Counsel, IGM Financial has, through Mackenzie, access to distribution through over 30,000 independent financial advisors. Mackenzie also, in its growing strategic alliance business, partners with global manufacturing and distribution entities to provide investment management services.

Broad Product Capabilities

Our subsidiaries continue to develop and launch innovative products and strategic investment planning tools to assist advisors in building optimized portfolios for clients.

Enduring Client Relationships

IGM Financial enjoys significant advantages as a result of the enduring relationships that advisors have developed with clients. In addition, our subsidiaries have strong heritages and cultures which are challenging for competitors to replicate.

Part of the Power Corporation Group of Companies

As part of the Power Corporation group of companies, IGM Financial benefits through expense savings from shared service arrangements, as well as through access to distribution, products and capital.

Critical Accounting Estimates and Policies

Summary of Critical Accounting Estimates

There were no changes to the Company's assumptions related to critical accounting estimates from those reported at December 31, 2022.

Changes in Accounting Policies

IFRS 17 – Insurance Contracts (IFRS 17)

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. Entities adopting IFRS 17 had the option to defer adoption of IFRS 9 – *Financial Instruments* (IFRS 9). Adoption of these standards 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. In Q4 2022, Lifeco disclosed that the adoption of IFRS 17 and IFRS 9 is expected to decrease its total equity by $3.4 billion as at January 1, 2022. Accordingly, the Company has reduced the carrying value of its investment in Lifeco and retained earnings, at January 1, 2022, by $136 million to reflect its proportionate share of Lifeco's estimated decrease to total equity. The amounts disclosed by Lifeco were preliminary and are subject to change.

As Lifeco's 2023 first quarter results will be publicly released after the Company releases its results, the Company will finalize the restatement of its investment in Lifeco for the impacts of IFRS 17 and IFRS 9 in the second quarter of 2023. This change in timing has also resulted in the Company recording its proportionate share of Lifeco earnings using analysts' earnings estimates for Lifeco beginning this quarter.

Additional information of the impact on Lifeco is available in its public disclosures.

Future Accounting Changes

The Company continuously monitors the potential 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.

The IASB is currently undertaking a number of projects which will result in changes to existing IFRS standards that may affect the Company. Updates will be provided as the projects develop.

Internal Control Over Financial Reporting

During the first quarter of 2023, there have been no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Other Information

Transactions with Related Parties

There were no changes to the types of related party transactions from those reported at December 31, 2022. For further information on transactions involving related parties, see Notes 8, 26 and 29 to the Company's Annual Financial Statements.

On April 3, 2023, the Company entered into an agreement to sell 100% of Investment Planning Counsel Inc. (IPC) to The Canada Life Assurance Company (Canada Life), a subsidiary of its affiliate, Lifeco, which is a subsidiary of Power Corporation of Canada.

Outstanding Share Data

Outstanding common shares of IGM Financial as at March 31, 2023 totalled 238,037,799. Outstanding stock options as at March 31, 2023 totalled 11,617,455 of which 7,323,933 were exercisable. As at April 30, 2023, outstanding common shares totalled 238,041,916 and outstanding stock options totalled 11,589,694 of which 7,315,066 were exercisable.

SEDAR

Additional information relating to IGM Financial, including the Company's most recent financial statements and Annual Information Form, is available at www.sedar.com.

Interim Condensed Consolidated Financial Statements

Consolidated Statements of Earnings

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

Three months ended March 31		**2023**		2022
Revenues				
Wealth management *(Note 4)*	**$**	**534,111**	$	561,211
Asset management		**236,154**		256,135
Dealer compensation expense		**(79,326)**		(91,116)
Net asset management *(Note 4)*		**156,828**		165,019
Net investment income and other		**10,949**		(2,495)
Gain on sale of Lifeco shares *(Note 8)*		**179,118**		–
Proportionate share of associates' earnings *(Note 8)*		**53,044**		48,400
		934,050		772,135
Expenses				
Advisory and business development		**245,641**		244,968
Operations and support		**201,775**		203,087
Sub-advisory		**15,846**		17,407
Interest		**28,055**		27,979
		491,317		493,441
Earnings before income taxes		**442,733**		278,694
Income taxes		**63,361**		62,291
Net earnings from continuing operations		**379,372**		216,403
Net earnings from discontinued operations *(Note 3)*		**3,129**		3,762
Net earnings		**382,501**		220,165
Non-controlling interest *(Note 3, 8)*		**(1,163)**		(849)
Net earnings available to common shareholders	**$**	**381,338**	$	219,316
Earnings per share *(in dollars) (Note 15)*				
Net earnings available to common shareholders from continuing operations				
– Basic	**$**	**1.59**	$	0.90
– Diluted	**$**	**1.59**	$	0.89
Net earnings available to common shareholders				
– Basic	**$**	**1.60**	$	0.91
– Diluted	**$**	**1.60**	$	0.91

(See accompanying notes to interim condensed consolidated financial statements)

Consolidated Statements of Comprehensive Income

(unaudited) (in thousands of Canadian dollars)

Three months ended March 31	**2023**	2022
Net earnings	$ 382,501	$ 220,165
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 $(375) and $31,018*	2,408	(198,745)
Employee benefits		
Net actuarial gains (losses), *net of tax of $355 and $(25,771)*	(963)	69,688
Investment in associates – employee benefits and other		
Other comprehensive income (loss), *net of tax of nil*	1,043	(118)
Items that may be reclassified subsequently to Net earnings		
Investment in associates and other		
Other comprehensive income (loss), *net of tax of $689 and $1,337*	7,393	(8,557)
	9,881	(137,732)
Total comprehensive income	$ 392,382	$ 82,433

(See accompanying notes to interim condensed consolidated financial statements)

Consolidated Balance Sheets

(unaudited) (in thousands of Canadian dollars)

	March 31 2023	December 31 2022
		Restated *(Note 2)*
Assets		
Cash and cash equivalents	**$ 516,383**	$ 1,072,892
Other investments *(Note 5)*	**775,636**	774,536
Client funds on deposit	**4,210,875**	4,347,354
Accounts and other receivables	**367,310**	368,806
Income taxes recoverable	**23,995**	15,544
Loans *(Note 6)*	**4,890,290**	5,021,483
Derivative financial instruments	**52,739**	63,665
Other assets	**124,634**	156,240
Investment in associates *(Note 8)*	**2,795,438**	2,051,303
Capital assets	**306,816**	326,288
Capitalized sales commissions	**382,974**	372,173
Deferred income taxes	**778**	1,419
Assets held for sale *(Note 3)*	**710,685**	–
Intangible assets	**1,202,036**	1,363,642
Goodwill	**2,636,771**	2,802,173
	$ 18,997,360	$ 18,737,518
Liabilities		
Accounts payable and accrued liabilities	**$ 400,776**	$ 507,573
Income taxes payable	**6,603**	7,122
Derivative financial instruments	**47,224**	51,581
Deposits and certificates	**4,191,465**	4,333,997
Other liabilities	**339,512**	355,577
Obligations to securitization entities *(Note 7)*	**4,573,330**	4,610,438
Lease obligations	**177,027**	192,793
Deferred income taxes	**438,546**	451,005
Long-term debt	**2,100,000**	2,100,000
Liabilities held for sale *(Note 3)*	**339,336**	–
	12,613,819	12,610,086
Shareholders' Equity		
Share capital		
Common shares	**1,687,063**	1,672,799
Contributed surplus	**54,557**	54,134
Retained earnings	**4,227,792**	3,971,056
Accumulated other comprehensive income (loss)	**356,639**	362,766
Non-controlling interest	**57,490**	66,677
	6,383,541	6,127,432
	$ 18,997,360	$ 18,737,518

These interim condensed consolidated financial statements were approved and authorized for issuance by the Board of Directors on May 3, 2023.

(See accompanying notes to interim condensed consolidated financial statements)

Consolidated Statements of Changes in Shareholders' Equity

(unaudited) (in thousands of Canadian dollars)

Three months ended March 31	Share capital – Common shares *(Note 9)*	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss) *(Note 12)*	Non-controlling interest	Total shareholders' equity
2023						
Balance, beginning of period						
As previously reported	**$ 1,672,799**	**$ 54,134**	**$ 4,106,714**	**$ 362,766**	**$ 66,677**	**$ 6,263,090**
Change in accounting policy *(Note 2)*	**–**	**–**	**(135,658)**	**–**	**–**	**(135,658)**
As restated	**1,672,799**	**54,134**	**3,971,056**	**362,766**	**66,677**	**6,127,432**
Net earnings	**–**	**–**	**382,501**	**–**	**–**	**382,501**
Other comprehensive income (loss), net of tax	**–**	**–**	**–**	**9,881**	**–**	**9,881**
Total comprehensive income	**–**	**–**	**382,501**	**9,881**	**–**	**392,382**
Common shares						
Issued under stock option plan	**14,264**	**–**	**–**	**–**	**–**	**14,264**
Stock options						
Current period expense	**–**	**1,191**	**–**	**–**	**–**	**1,191**
Exercised	**–**	**(768)**	**–**	**–**	**–**	**(768)**
Common share dividends	**–**	**–**	**(133,896)**	**–**	**–**	**(133,896)**
Non-controlling interest	**–**	**–**	**(1,163)**	**–**	**(9,187)**	**(10,350)**
Disposal of investment in associate *(Note 8)*	**–**	**–**	**(2,017)**	**(16,008)**	**–**	**(18,025)**
Other	**–**	**–**	**11,311**	**–**	**–**	**11,311**
Balance, end of period	**$ 1,687,063**	**$ 54,557**	**$ 4,227,792**	**$ 356,639**	**$ 57,490**	**$ 6,383,541**
2022						
Balance, beginning of period						
As previously reported	$ 1,658,680	$ 51,069	$ 3,856,996	$ 883,083	$ 51,343	$ 6,501,171
Change in accounting policy *(Note 2)*	–	–	(135,658)	–	–	(135,658)
As restated	1,658,680	51,069	3,721,338	883,083	51,343	6,365,513
Net earnings	–	–	220,165	–	–	220,165
Other comprehensive income (loss), net of tax	–	–	–	(137,732)	–	(137,732)
Total comprehensive income	–	–	220,165	(137,732)	–	82,433
Common shares						
Issued under stock option plan	34,012	–	–	–	–	34,012
Purchased for cancellation	(3,985)	–	–	–	–	(3,985)
Stock options						
Current period expense	–	1,083	–	–	–	1,083
Exercised	–	(1,856)	–	–	–	(1,856)
Common share dividends	–	–	(135,017)	–	–	(135,017)
Non-controlling interest	–	–	(849)	–	849	–
Common share cancellation excess and other	–	–	(60,151)	–	–	(60,151)
Balance, end of period	$ 1,688,707	$ 50,296	$ 3,745,486	$ 745,351	$ 52,192	$ 6,282,032

(See accompanying notes to interim condensed consolidated financial statements)

Consolidated Statements of Cash Flows

(unaudited) (in thousands of Canadian dollars)

Three months ended March 31	**2023**	2022
Operating activities		
Earnings before income taxes	**$ 447,112**	$ 283,919
Income taxes paid	**(67,324)**	(160,622)
Adjustments to determine net cash from operating activities		
Capitalized sales commission amortization	**21,929**	17,660
Capitalized sales commissions paid	**(33,314)**	(44,456)
Amortization of capital, intangible and other assets	**26,153**	25,291
Proportionate share of associates' earnings, net of dividends received	**(41,532)**	(30,105)
Pension and other post-employment benefits	**(186)**	913
Gain on sale of Lifeco shares *(Note 8)*	**(179,118)**	–
Changes in operating assets and liabilities and other	**(61,337)**	(22,257)
Cash from operating activities before restructuring provision payments	**112,383**	70,343
Restructuring provision cash payments	**(609)**	(5,391)
	111,774	64,952
Financing activities		
Net (decrease) increase in deposits and certificates	**(23)**	22
Increase in obligations to securitization entities	**196,194**	106,809
Repayments of obligations to securitization entities and other	**(216,603)**	(328,853)
Repayment of lease obligations	**(5,104)**	(6,320)
Issue of common shares	**13,496**	32,156
Common shares purchased for cancellation	**–**	(25,697)
Common share dividends paid	**(133,688)**	(134,816)
	(145,728)	(356,699)
Investing activities		
Purchase of other investments	**(21,599)**	(31,427)
Proceeds from the sale of other investments	**21,319**	5,265
Increase in loans	**(135,769)**	(300,011)
Repayment of loans and other	**271,798**	536,971
Net additions to capital assets	**(7,644)**	(12,266)
Net cash used in additions to intangible assets	**(18,746)**	(14,545)
Investment in ChinaAMC *(Note 8)*	**(1,154,100)**	–
Proceeds from sale of Lifeco shares *(Note 8)*	**552,655**	–
	(492,086)	183,987
Decrease in cash and cash equivalents	**(526,040)**	(107,760)
Cash and cash equivalents from continuing and discontinued operations, beginning of period	**1,072,892**	1,292,446
Cash and cash equivalents, end of period	**546,852**	$ 1,184,686
Less: Cash and cash equivalents from discontinued operations, end of period *(Note 3)*	**30,469**	
Cash and cash equivalents, end of period – continuing operations	**$ 516,383**	
Cash	**$ 263,570**	$ 349,565
Cash equivalents	**252,813**	835,121
	$ 516,383	$ 1,184,686
Supplemental disclosure of cash flow information related to operating activities		
Interest and dividends received	**$ 55,647**	$ 50,053
Interest paid	**$ 65,311**	$ 50,899

(See accompanying notes to interim condensed consolidated financial statements)

Notes to the Interim Condensed Consolidated Financial Statements

March 31, 2023 ***(unaudited) (In thousands of Canadian dollars, except shares and per share amounts)***

Note 1. Corporate information

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

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

Note 2. Summary of significant accounting policies

The unaudited Interim Condensed Consolidated Financial Statements of the Company (Interim Financial Statements) have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, using the accounting policies as set out in Note 2 to the Consolidated Financial Statements for the year ended December 31, 2022, except as noted below. The Interim Financial Statements should be read in conjunction with the Consolidated Financial Statements in the 2022 IGM Financial Inc. Annual Report.

Changes in accounting policies

IFRS 17 – Insurance Contracts (IFRS 17)

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. Entities adopting IFRS 17 had the option to defer adoption of IFRS 9 – *Financial Instruments* (IFRS 9). Adoption of these standards 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. In Q4 2022, Lifeco disclosed that the adoption of IFRS 17 and IFRS 9 is expected to decrease its total equity by $3.4 billion as at January 1, 2022. Accordingly, the Company has reduced the carrying value of its investment in Lifeco and retained earnings, at January 1, 2022, by $136 million to reflect its proportionate share of Lifeco's estimated decrease to total equity. The amounts disclosed by Lifeco were preliminary and are subject to change.

As Lifeco's 2023 first quarter results will be publicly released after the Company releases its results, the Company will finalize the restatement of its investment in Lifeco for the impacts of IFRS 17 and IFRS 9 in the second quarter of 2023. This change in timing has also resulted in the Company recording its proportionate share of Lifeco earnings using analysts' earnings estimates for Lifeco beginning this quarter.

Additional information of the impact on Lifeco is available in its public disclosures.

Future accounting changes

The Company continuously monitors the potential 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.

Note 3. Discontinued operations

On April 3, 2023, the Company announced the sale of 100% of the common shares of Investment Planning Counsel Inc. (IPC) for cash consideration of $575 million (Note 18).

In accordance with IFRS 5 – *Non-Current Assets Held for Sale and Discontinued Operations*, the operating results and cash flows of IPC have been classified as discontinued operations within the Wealth Management segment. The related assets and liabilities have been classified as assets and liabilities held for sale.

Net earnings from discontinued operations

	Three months ended March 31	
	2023	2022
Revenues		
Wealth management	**$ 76,139**	$ 79,994
Net asset management	**4,342**	4,620
Net investment income and other	**1,015**	477
	81,496	85,091
Expenses	**77,117**	79,866
Earnings before income taxes	**4,379**	5,225
Income taxes	**1,250**	1,463
Net earnings from discontinued operations	**3,129**	3,762
Non-controlling interest	**(150)**	–
Net earnings available to common shareholders from discontinued operations	**$ 2,979**	$ 3,762

Cash flows from discontinued operations

Included within the Company's cash flows are the following amounts attributable to discontinued operations:

	Three months ended March 31	
	2023	2022
Net cash (used in) provided by operating activities	**$ (77)**	$ 1,688
Net cash (used in) provided by financing activities	**(344)**	7,666
Net cash (used in) provided by investing activities	**(8,388)**	(9,876)
Net decrease in cash and cash equivalents	**$ (8,809)**	$ (522)

Assets and liabilities held for sale

	2023 March 31
Assets	
Cash and cash equivalents	**$ 30,469**
Securities	**279**
Client funds on deposit	**284,426**
Accounts and other receivables	**33,690**
Income taxes recoverable	**1,451**
Other assets	**16,087**
Capital assets	**16,955**
Capitalized sales commissions	**719**
Deferred income taxes	**148**
Intangible assets	**161,059**
Goodwill	**165,402**
Assets of discontinued operations	**$ 710,685**
Liabilities	
Accounts payable and accrued liabilities	**$ 25,374**
Income taxes payable	**533**
Deposits and certificates	**284,426**
Other liabilities	**4,901**
Lease obligations	**12,491**
Deferred income taxes	**11,611**
Liabilities of discontinued operations	**$ 339,336**

Note 4. Revenues from contracts with customers

	Three months ended March 31	
	2023	2022
Advisory fees	**$ 290,676**	$ 292,322
Product and program fees	**217,150**	227,760
	507,826	520,082
Redemption fees	**594**	1,449
Other financial planning revenues	**25,691**	39,680
Wealth management	**534,111**	561,211
Asset management	**236,154**	256,135
Dealer compensation expense	**(79,326)**	(91,116)
Net asset management	**156,828**	165,019
Net revenues from contracts with customers	**$ 690,939**	$ 726,230

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 5. Other investments

	March 31, 2023		December 31, 2022	
	Cost	**Fair value**	Cost	Fair value
Fair value through other comprehensive income (FVTOCI)				
Corporate investments	**$ 242,704**	**$ 605,395**	$ 242,704	$ 602,612
Fair value through profit or loss (FVTPL)				
Equity securities	**12,705**	**12,998**	12,689	12,933
Proprietary investment funds	**153,648**	**157,243**	156,663	158,991
	166,353	**170,241**	169,352	171,924
	$ 409,057	**$ 775,636**	$ 412,056	$ 774,536

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 valued at $492 million at March 31, 2023, unchanged from 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.

Note 6. Loans

	Contractual maturity				
	1 year or less	1 – 5 years	Over 5 years	March 31 2023 Total	December 31 2022 Total
Amortized cost					
Residential mortgages	$ 1,058,757	$ 3,819,536	$ 1,211	$ 4,879,504	$ 5,022,298
Less: Allowance for expected credit losses				821	815
				4,878,683	5,021,483
Fair value through profit or loss				11,607	–
				$ 4,890,290	$ 5,021,483
The change in the allowance for expected credit losses is as follows:					
Balance, beginning of period				$ 815	$ 648
Write-offs, net of recoveries				416	(689)
Expected credit losses				(410)	856
Balance, end of period				$ 821	$ 815

Total credit impaired loans as at March 31, 2023 were $3,243 (December 31, 2022 – $2,159).

Total interest income on loans was $39.3 million (2022 – $32.7 million). Total interest expense on obligations to securitization entities, related to securitized loans, was $33.6 million (2022 – $24.1 million). Losses realized on the sale of residential mortgages totalled $1.0 million (2022 – losses of $0.7 million). Fair value adjustments related to mortgage banking operations totalled negative $3.3 million (2022 – positive $4.0 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 negative fair value of $1.4 million at March 31, 2023 (December 31, 2022 – positive $0.9 million).

All mortgages securitized under the NHA MBS and CMB Program are insured by CMHC or another approved insurer under the program. As part of the ABCP transactions, the Company has provided cash reserves for credit enhancement which are recorded at cost. Credit risk is limited to these cash reserves and future net interest income as the ABCP Trusts have no recourse to the Company's other assets for failure to make payments when due.

	Securitized mortgages	Obligations to securitization entities	Net
March 31, 2023			
Carrying value			
NHA MBS and CMB Program	**$ 2,539,267**	**$ 2,481,601**	**$ 57,666**
Bank sponsored ABCP	**2,100,684**	**2,091,729**	**8,955**
Total	**$ 4,639,951**	**$ 4,573,330**	**$ 66,621**
Fair value	**$ 4,540,679**	**$ 4,541,003**	**$ (324)**
December 31, 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)

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. Investment in associates

	Lifeco	ChinaAMC	Northleaf	Other	Total
March 31, 2023					
Balance, beginning of period					
As previously reported	**$ 1,075,225**	**$ 787,171**	**$ 284,499**	**$ 40,066**	**$ 2,186,961**
Change in accounting policy *(Note 2)*	**(135,658)**	**–**	**–**	**–**	**(135,658)**
As restated	**939,567**	**787,171**	**284,499**	**40,066**	**2,051,303**
Additions	**–**	**1,154,100**	**–**	**542**	**1,154,642**
Disposition	**(391,564)**	**–**	**–**	**–**	**(391,564)**
Dividends	**(11,512)**	**(69,180)**	**–**	**–**	**(80,692)**
Proportionate share of:					
Earnings	**20,602**	**28,133**	**5,066** (1)	**(757)**	**53,044**
Other comprehensive income (loss) and other adjustments	**14,024**	**(5,319)**	**–**	**–**	**8,705**
Balance, end of period	**$ 571,117**	**$ 1,894,905**	**$ 289,565**	**$ 39,851**	**$ 2,795,438**
March 31, 2022					
Balance, beginning of period					
As previously reported	$ 1,020,700	$ 768,724	$ 258,831	$ –	$ 2,048,255
Change in accounting policy *(Note 2)*	(135,658)	–	–	–	(135,658)
As restated	885,042	768,724	258,831	–	1,912,597
Dividends	(18,295)	(31,319)	–	–	(49,614)
Proportionate share of:					
Earnings	30,668	13,489	4,243 (1)	–	48,400
Other comprehensive income (loss) and other adjustments	(806)	(7,185)	–	–	(7,991)
Balance, end of period	$ 896,609	$ 743,709	$ 263,074	$ –	$ 1,903,392

(1) For the three months ended March 31, 2023, the Company's proportionate share of Northleaf's earnings net of Non-controlling interest was $4,053 (2022 – $3,394).

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 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 4.0% 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 continues to equity account for its 27.8% interest in ChinaAMC and 2.4% interest in Lifeco.

The Company recognized a gain on the sale of the Lifeco shares of $179.1 million before tax ($174.8 million after tax). Lifeco will be implementing IFRS 17 effective January 1, 2023, which will impact the gain ultimately recognized on the sale of Lifeco shares.

Note 9. Share capital

Authorized

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

Issued and outstanding

	March 31, 2023		March 31, 2022	
	Shares	**Stated value**	Shares	Stated value
Common shares:				
Balance, beginning of period	**237,668,062**	**$ 1,672,799**	239,679,043	$ 1,658,680
Issued under Stock Option Plan	**369,737**	**14,264**	867,578	34,012
Purchased for cancellation	**–**	**–**	(570,000)	(3,985)
Balance, end of period	**238,037,799**	**$ 1,687,063**	239,976,621	$ 1,688,707

Normal course issuer bid

The Company commenced a normal course issuer bid on March 1, 2022 which was effective until February 28, 2023. Pursuant to this bid, the Company was authorized to purchase up to 6.0 million or approximately 2.5% of its common shares outstanding as at February 15, 2022.

There were no common shares purchased in the first quarter of 2023 (2022 – 570,000 shares purchased at a cost of $25.7 million). The premium paid to purchase the shares in excess of the stated value was charged to Retained earnings.

Note 10. Capital management

The capital management policies, procedures and activities of the Company are discussed in the Capital Resources section of the Company's Management's Discussion and Analysis contained in the First Quarter 2023 Report to Shareholders and in Note 19 to the Consolidated Financial Statements in the 2022 IGM Financial Inc. Annual Report and have not changed significantly since December 31, 2022.

Note 11. Share-based payments

Stock option plan

	March 31 2023	December 31 2022
Common share options		
– Outstanding	**11,617,455**	11,725,342
– Exercisable	**7,323,933**	6,596,299

In the three months ended March 31, 2023, the Company granted 661,372 options to employees (2022 – 1,372,090). The weighted-average fair value of options granted during the three months ended March 31, 2023, has been estimated at $5.56 per option (2022 – $4.98) using the Black-Scholes option pricing model. The weighted-average closing share price at the grant dates was $42.37.

Other assumptions used in these valuation models include:

	Three months ended March 31	
	2023	2022
Exercise price	**$ 42.54**	$ 45.50
Risk-free interest rate	**3.44%**	1.93%
Expected option life	**7 years**	7 years
Expected volatility	**23.00%**	23.00%
Expected dividend yield	**5.31%**	5.02%

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

Note 12. Accumulated other comprehensive income (loss)

	Employee benefits	Other investments	Investment in associates and other	Total
March 31, 2023				
Balance, beginning of period	**$ 4,383**	**$ 309,605**	**$ 48,778**	**$ 362,766**
Other comprehensive income (loss)	**(963)**	**2,408**	**8,436**	**9,881**
Disposal of investment in associate *(Note 8)*	**–**	**–**	**(16,008)**	**(16,008)**
Balance, end of period	**$ 3,420**	**$ 312,013**	**$ 41,206**	**$ 356,639**
March 31, 2022				
Balance, beginning of period	$ (95,666)	$ 919,152	$ 59,597	$ 883,083
Other comprehensive income (loss)	69,688	(198,745)	(8,675)	(137,732)
Balance, end of period	$ (25,978)	$ 720,407	$ 50,922	$ 745,351

Amounts are recorded net of tax.

Note 13. Risk management

The risk management policies and procedures of the Company are discussed in the Financial Risk section of the Company's Management's Discussion and Analysis contained in the First Quarter 2023 Report to Shareholders and in Note 22 to the Consolidated Financial Statements in the 2022 IGM Financial Inc. Annual Report and have not changed significantly since December 31, 2022.

Note 14. 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 $605 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 forecasted cash flows or revenue multiples would result in an increase (decrease) in fair value of the Company's investment in Wealthsimple of approximately $25 million.

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

					Fair value
	Carrying value	Level 1	Level 2	Level 3	Total
March 31, 2023					
Financial assets recorded at fair value					
Other investments					
– FVTOCI	**$ 605,395**	**$ –**	**$ –**	**$ 605,395**	**$ 605,395**
– FVTPL	**170,241**	**158,812**	**–**	**11,429**	**170,241**
Loans					
– FVTPL	**$ 11,607**	**$ –**	**$ 11,607**	**$ –**	**$ 11,607**
Derivative financial instruments	**52,739**	**–**	**30,908**	**21,831**	**52,739**
Financial assets recorded at amortized cost					
Loans					
– Amortized cost	**4,878,683**	**–**	**232,978**	**4,540,679**	**4,773,657**
Financial liabilities recorded at fair value					
Derivative financial instruments	**47,224**	**–**	**39,907**	**7,317**	**47,224**
Financial liabilities recorded at amortized cost					
Deposits and certificates	**4,191,465**	**–**	**4,191,488**	**–**	**4,191,488**
Obligations to securitization entities	**4,573,330**	**–**	**–**	**4,541,003**	**4,541,003**
Long-term debt	**2,100,000**	**–**	**2,075,951**	**–**	**2,075,951**
December 31, 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

There were no significant transfers between Level 1 and Level 2 in 2023 and 2022.

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 2023 and 2022.

	Balance January 1	Gains (losses) included in Net earnings[(1)]	Gains (losses) included in Other comprehensive income	Purchases and issuances	Settlements	Balance March 31
March 31, 2023						
Other investments						
– FVTOCI	**$ 602,612**	**$ –**	**$ 2,783**	**$ –**	**$ –**	**$ 605,395**
– FVTPL	**11,429**	**–**	**–**	**–**	**–**	**11,429**
Derivative financial instruments, net	**20,516**	**(5,587)**	**–**	**(634)**	**(219)**	**14,514**
March 31, 2022						
Other investments						
– FVTOCI	$ 1,291,434	$ –	$ (229,763)	$ 1,165	$ –	$ 1,062,836
Derivative financial instruments, net	960	11,506	–	290	(1,078)	13,834

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

Note 15. Earnings per common share

	Three months ended March 31 2023	2022
Earnings		
Net earnings from continuing operations	**$ 379,372**	$ 216,403
Non-controlling interest	**(1,013)**	(849)
Net earnings available to common shareholders – continuing operations	**$ 378,359**	$ 215,554
Net earnings from discontinued operations	**3,129**	3,762
Non-controlling interest	**$ (150)**	$ –
Net earnings available to common shareholders – discontinued operations	**2,979**	3,762
Net earnings available to common shareholders	**$ 381,338**	$ 219,316
Number of common shares *(in thousands)*		
Weighted average number of common shares outstanding	**237,838**	239,770
Add: Potential exercise of outstanding stock options[(1)]	**586**	1,481
Average number of common shares outstanding – diluted basis	**238,424**	241,251
Earnings per common share *(in dollars)*		
Basic		
From continuing operations	**$ 1.59**	$ 0.90
From discontinued operations	**0.01**	0.01
Net earnings available to common shareholders	**$ 1.60**	$ 0.91
Diluted		
From continuing operations	**$ 1.59**	$ 0.89
From discontinued operations	**$ 0.01**	$ 0.02
Net earnings available to common shareholders	**$ 1.60**	$ 0.91

(1) Excludes 876 thousand shares for the three months ended March 31, 2023 (2022 – 293 thousand) related to outstanding stock options that were anti-dilutive.

PART C IGM FINANCIAL INC.

Note 16. 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 (Mackenzie) 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. 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.

In late March 2023, the Company was notified by one of its third-party vendors, InvestorCOM Inc., that they were compromised due to a cybersecurity incident related to a technology supplier to InvestorCOM, GoAnywhere. On becoming aware of this incident, the Company took immediate steps to mitigate the issue and began a full cyber forensics investigation. As part of the investigation, the Company discovered that Mackenzie client account numbers, names, addresses and social insurance numbers were part of this incident. The Company has notified impacted clients and offered credit monitoring at no cost for two years to all clients. At this time, the Company expects known costs to be covered by the Company's insurance and the Company is currently unaware of any legal or regulatory actions related to this incident.

Note 17. 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, which has been classified as discontinued operations. 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.

2023

Three months ended March 31	Wealth Management	Asset Management	Strategic Investments and Other	Intersegment	Total Segment	Adjustments[1]	Total
Revenues							
Wealth management	$ 535,668	$ –	$ –	$ (1,557)	$ 534,111	$ –	$ 534,111
Asset management	–	261,814	–	(25,660)	236,154	–	236,154
Dealer compensation	–	(78,696)	–	(630)	(79,326)	–	(79,326)
Net asset management	–	183,118	–	(26,290)	156,828	–	156,828
Net investment income and other	3,428	4,504	3,365	(348)	10,949	–	10,949
Gain on sale of Lifeco shares *(Note 8)*	–	–	–	–	–	179,118	179,118
Proportionate share of associates' earnings	–	–	53,044	–	53,044	–	53,044
	539,096	187,622	56,409	(28,195)	754,932	179,118	934,050
Expenses							
Advisory and business development	222,977	22,666	–	(2)	245,641	–	245,641
Operations and support	108,199	92,505	1,141	(70)	201,775	–	201,775
Sub-advisory	42,583	1,109	–	(27,846)	15,846	–	15,846
	373,759	116,280	1,141	(27,918)	463,262	–	463,262
	165,337	71,342	55,268	(277)	291,670	179,118	470,788
Interest expense[2]	22,249	5,806	–	–	28,055	–	28,055
Earnings before income taxes	143,088	65,536	55,268	(277)	263,615	179,118	442,733
Income taxes	38,425	17,163	3,529	(75)	59,042	4,319	63,361
Net earnings from continuing operations	104,663	48,373	51,739	(202)	204,573	174,799	379,372
Net earnings from discontinued operations	2,927	–	–	202	3,129	–	3,129
	107,590	48,373	51,739	–	207,702	174,799	382,501
Non-controlling interest	(150)	–	(1,013)	–	(1,163)	–	(1,163)
	$ 107,440	$ 48,373	$ 50,726	$ –	206,539	174,799	381,338
Gain on sale of Lifeco shares, net of tax[1]					174,799	(174,799)	–
Net earnings available to common shareholders					$ 381,338	$ –	$ 381,338
Identifiable assets	$ 11,205,737	$ 1,422,963	$ 3,710,393	$ –	$ 16,339,093	$ –	$ 16,339,093
Goodwill	1,347,781	1,310,486	–	–	2,658,267	–	2,658,267
Total assets	$ 12,553,518	$ 2,733,449	$ 3,710,393	$ –	$ 18,997,360	$ –	$ 18,997,360

(1) Gain on sale of Lifeco shares is not related to a specific segment and therefore excluded from segment results. This item has been added back, including the impact to 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.

2022

Three months ended March 31	Wealth Management	Asset Management	Strategic Investments and Other	Intersegment	Total
Revenues					
Wealth management	$ 561,211	$ –	$ –	$ –	$ 561,211
Asset management	–	284,833	–	(28,698)	256,135
Dealer compensation	–	(91,116)	–	–	(91,116)
Net asset management	–	193,717	–	(28,698)	165,019
Net investment income and other	(561)	(2,616)	688	(6)	(2,495)
Proportionate share of associates' earnings	–	–	48,400	–	48,400
	560,650	191,101	49,088	(28,704)	772,135
Expenses					
Advisory and business development	224,826	20,143	–	(1)	244,968
Operations and support	108,690	93,066	1,404	(73)	203,087
Sub-advisory	44,600	1,504	–	(28,697)	17,407
	378,116	114,713	1,404	(28,771)	465,462
	182,534	76,388	47,684	67	306,673
Interest expense(1)	22,137	5,842	–	–	27,979
Earnings before income taxes	160,397	70,546	47,684	67	278,694
Income taxes	42,814	18,405	1,054	18	62,291
Net earnings from continuing operations	117,583	52,141	46,630	49	216,403
Net earnings from discontinued operations	3,811	–	–	(49)	3,762
	121,394	52,141	46,630	–	220,165
Non-controlling interest	–	–	(849)	–	(849)
Net earnings available to common shareholders	$ 121,394	$ 52,141	$ 45,781	$ –	$ 219,316
Identifiable assets	$ 9,252,471	$ 1,607,961	$ 3,770,988	$ –	$ 14,631,420
Goodwill	1,491,687	1,310,486	–	–	2,802,173
Total assets	$ 10,744,158	$ 2,918,447	$ 3,770,988	$ –	$ 17,433,593

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

Note 18. Subsequent event

On April 3, 2023, the Company acquired a 20.5% interest in Rockefeller Capital Management (Rockefeller) for cash consideration of approximately USD $622 million, due on June 2, 2023. Rockefeller is a leading U.S. independent financial services advisory firm focused on the high-net-worth and ultra-high-net-worth segments.

The financial results of Rockefeller will be recorded in the Company's Strategic Investments and Other segment and will be accounted for using the equity method of accounting as the Company will exercise significant influence arising from board representation, participation in the policy making process and shared strategic initiatives.

On April 3, 2023, the Company also announced that it had entered into an agreement to sell 100% of Investment Planning Counsel Inc. (IPC) to The Canada Life Assurance Company (Canada Life) for cash consideration of $575 million. The transaction is expected to close by the end of 2023, subject to customary closing conditions and regulatory approvals. Canada Life is a subsidiary of the Company's affiliate, Lifeco, which is a subsidiary of Power Corporation of Canada.

Corporate Information

Power Corporation of Canada

751 Victoria Square
Montréal, Quebec, Canada H2Y 2J3
514-286-7400
1-800-890-7440
corporate.secretary@powercorp.com

161 Bay Street, Suite 5000
Toronto, Ontario, Canada M5J 2S1
416-607-2250

www.powercorporation.com

This document is also available on the Corporation's website and on SEDAR at www.sedar.com.

STOCK LISTINGS

Shares of Power Corporation of Canada are listed on the Toronto Stock Exchange:

Subordinate Voting Shares: POW
Participating Preferred Shares: POW.PR.E

First Preferred Shares, Series A: POW.PR.A
First Preferred Shares, Series B: POW.PR.B
First Preferred Shares, Series C: POW.PR.C
First Preferred Shares, Series D: POW.PR.D
First Preferred Shares, Series G: POW.PR.G

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SHAREHOLDER SERVICES

Shareholders with questions relating to the payment of dividends, change of address, share certificates, direct registration and estate transfers should contact the Transfer Agent:

Computershare Investor Services Inc.
Shareholder Services
100 University Avenue, 8th Floor
Toronto, Ontario, Canada M5J 2Y1
1-800-564-6253 (toll-free in Canada and the U.S.)
or 514-982-7555
www.computershare.com

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