POWER CORPORATION OF CANADA

ANNUAL MANAGEMENT'S DISCUSSION AND ANALYSIS

March 20, 2024

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

For the year ended December 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 twelve-month and three-month periods ended December 31, 2023 and the audited consolidated financial statement of the Corporation as at and for the year ended December 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.sedarplus.com.

Power Corporation of Canada

PART A

MANAGEMENT'S DISCUSSION AND ANALYSIS

Abbreviations used throughout this Management's Discussion and Analysis (MD&A) are defined in the section "Abbreviations".

CAUTIONARY STATEMENT REGARDING 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 outlook for North American and international economies for the current fiscal year and subsequent periods, the Corporation's NCIB commenced in 2024, statements concerning deferred taxes, the expectation based on the Corporation's preliminary assessment of Pillar Two income taxes of the impact on adjusted net earnings, management of standalone businesses to realize value over time, the fintech strategy, fundraising activities by investment platforms, capital commitments by the Power group and third parties, the objective to maintain a minimum level of cash and cash equivalents relative to fixed charges, GBL's intent to grow its portfolio and third-party asset management activity, and the Corporation's subsidiaries' disclosed expectations, including in respect of Lifeco's strategy of building the leading platform for independent advisors in Canada, the ongoing obligations resulting from the sale of Putnam to Franklin Templeton, and the proposed sale of Canada Life U.K.'s individual onshore protection business. 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, 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. In arriving at the preliminary assessment of the potential exposure to Pillar Two income taxes for the Corporation and its subsidiaries and the expectation regarding the impact on adjusted net earnings, management has relied on the interpretation of the relevant legislation by management of the Corporation and its subsidiaries. In estimating the impact of Lifeco, Lifeco management has assumed a starting point of its current mix of business and adjusted net earnings (defined as base earnings by Lifeco) growth consistent with its adjusted net earnings objectives disclosed in Part B of this MD&A. Other considerations also include 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.sedarplus.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.sedarplus.com.

STATEMENT REGARDING NON-IFRS FINANCIAL MEASURES AND OTHER 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 from continuing operations (adjusted net earnings)", "adjusted net earnings from continuing operations per share (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".

Adjusted net earnings from continuing operations (or adjusted net earnings) represents net earnings from continuing operations excluding Adjustments.

This MD&A also includes other measures used to discuss activities of the Corporation, its 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", "assets under management and advisement including strategic investments", "book value per participating share", "carried interest", "fee-bearing capital", "market capitalization", "net asset value", "net carried interest", "unfunded commitments" and "weighted average management fee rate". 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.

MARCH 20, 2024

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

The following MD&A of Power Corporation of Canada (Power Corporation or the Corporation) (TSX: POW; POW.PR.E), a public corporation, is for the three-month and twelve-month periods ended December 31, 2023. The 2022 comparative periods are restated to reflect the adoption of IFRS 17, *Insurance Contracts* and IFRS 9, *Financial Instruments*. This MD&A should be read in conjunction with the audited consolidated financial statements of Power Corporation and notes thereto for the twelve-month period ended December 31, 2023 (the 2023 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.sedarplus.com.

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 annual MD&A, as prepared and disclosed by Lifeco in accordance with applicable securities legislation, which is also available either directly from SEDAR+ (www.sedarplus.com) or from Lifeco's website (www.greatwestlifeco.com);
- Part C – IGM's annual MD&A, as prepared and disclosed by IGM in accordance with applicable securities legislation, which is also available either directly from SEDAR+ (www.sedarplus.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 capitalization reported in the following sections are at December 31, 2023 (refer to the section "Other Measures").

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POWER CORPORATION OF CANADA

OVERVIEW

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

VALUE CREATION STRATEGY

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:

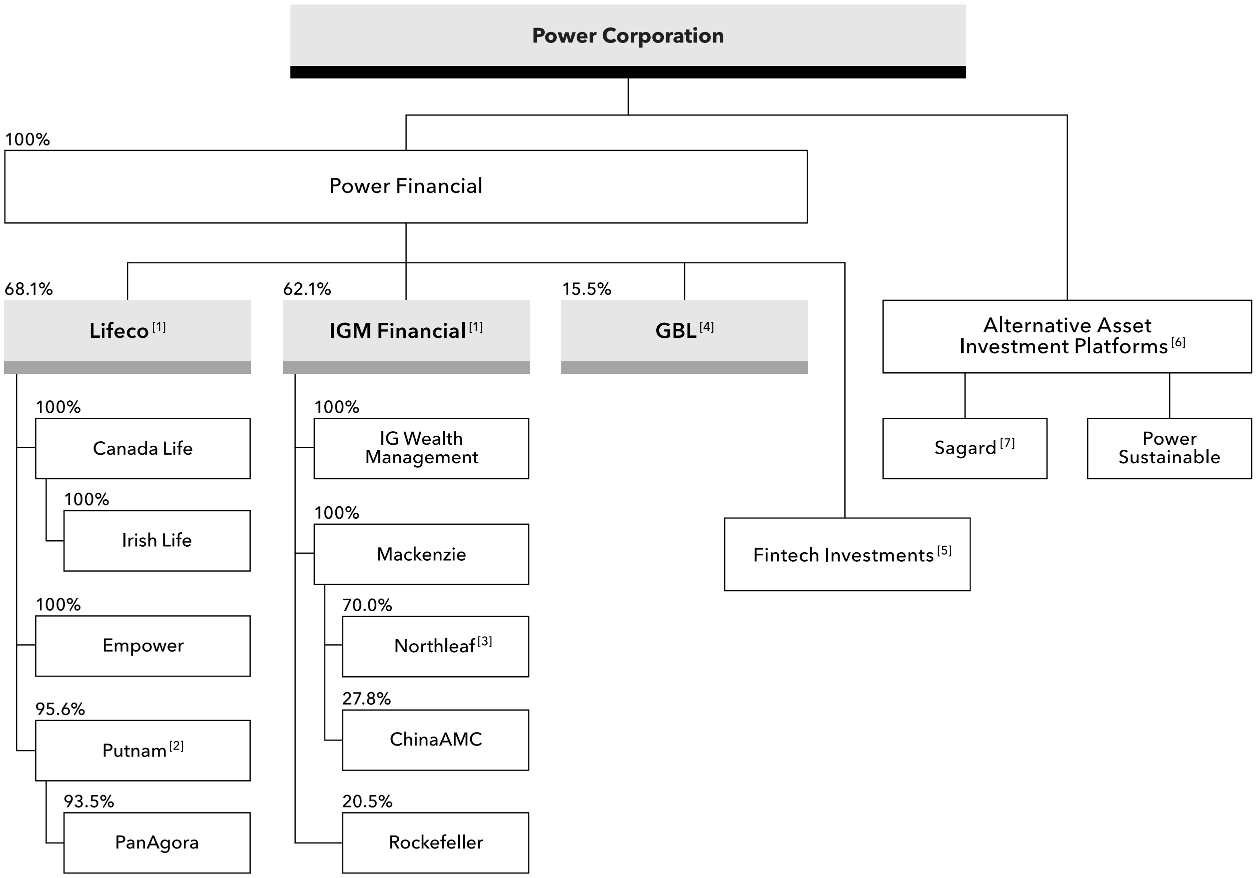
- Operating company organic levers: organic growth strategies at the publicly traded operating companies;
- Operating company inorganic levers: deployment and redeployment of capital; and
- Holding company levers: actions that can be taken at the Corporation and between the Corporation and its publicly 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 proprietary capital to the different investment products managed by each.

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

GROUP STRUCTURE

The following chart reflects the economic interests held by the Corporation at December 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] On January 1, 2024, subsequent to year-end, Lifeco completed the previously announced sale of its interest in Putnam. Lifeco retained its interest in PanAgora. Refer to the section "Lifeco".

[3] 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.

[4] Held through Parjointco, a jointly controlled corporation (50%). Parjointco has a 45.3% voting interest in GBL. Refer to the section "GBL" for a list of investments.

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

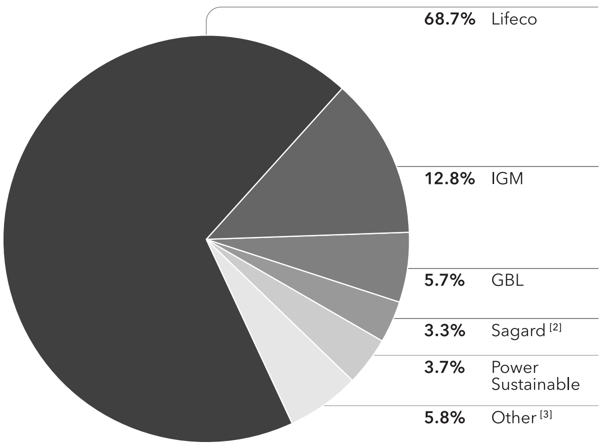
[6] Refer to the section "Alternative Asset Investment Platforms" for a list of investments held by each investment platform.

[7] The Corporation holds a 53.5% interest in SHMI. Refer to the section "Alternative Asset Investment Platforms".

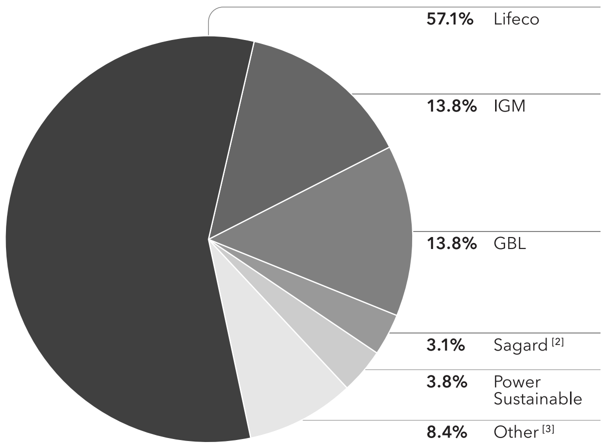
As a holding company, the Corporation uses adjusted net asset value[1], which presents the fair value of the participating shareholders' equity of the holding company, to assess the value, composition and size of its investment holdings. The charts below present the composition and relative size of investment holdings within the Power group, as well as show the composition of the assets included in the adjusted net asset value and the holding company balance sheet, which are discussed in detail later in this MD&A.

TOTAL HOLDING COMPANY ASSETS

IN ADJUSTED NET ASSET VALUE



IN HOLDING COMPANY BALANCE SHEET



[1] Adjusted net asset value is a non-IFRS financial measures. Refer to the sections "Adjusted Net Asset Value" and "Non-IFRS Financial Measures".

[2] Includes fintech investments held by the Corporation including investments in Portage Ventures I, Portage Ventures II, Portage Ventures III and Wealthsimple, held through Power Financial.

[3] Other includes the Corporation's other investments and investments in standalone businesses, cash and other assets held by the holding company.

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 $40.9 billion (refer to the section "Other Measures") at December 31, 2023, is an international financial services holding company with interests in life insurance, health insurance, retirement and investment services, asset management and reinsurance businesses. Lifeco operates primarily in Canada, the United States (U.S.) and Europe under the brands Canada Life, Empower and Irish Life.

At December 31, 2023, Power Financial and IGM held interests of 68.1% 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%.

IGM FINANCIAL

IGM Financial Inc. (TSX: IGM), market capitalization of $8.3 billion at December 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 its operating subsidiaries while furthering IGM's growth prospects.

At December 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.

GBL

Power Financial Europe SA, a wholly owned subsidiary of Power Financial, and the Frère Group each hold a 50% interest in Parjointco. At December 31, 2023, Parjointco held a 31.0% indirect (45.3% of the voting rights) controlling interest in GBL, a Belgian holding company listed on the Brussels Stock Exchange.

GBL (EBR: GBLB), market capitalization of €10.4 billion at December 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 considers 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. GBL Capital conducts the group's alternative assets activity which provides additional sources of diversification to GBL's portfolio. In addition, GBL is developing its third-party asset management activity through Sienna Investment Managers.

Alternative Asset Investment Platforms

Power Corporation continues 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 shares and fixed income investments, whereas the alternative asset strategies include venture capital, private equity, private credit as well as real estate and infrastructure. At December 31, 2023, the alternative asset investments platforms had $25.8 billion of assets under management, including unfunded commitments (refer to the section "Other Measures").

SAGARD

Sagard is a multi-strategy alternative asset management firm with professionals principally located in Canada, the U.S., Europe and the Middle East. Sagard has active strategies in venture capital & growth, private equity, private credit, royalties and real estate. Sagard also engages in private wealth management. 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. In September 2023, Sagard expanded its global footprint and opened an office in Abu Dhabi's financial centre. At December 31, 2023, Sagard had $21.3 billion of assets under management, including unfunded commitments.

The alternative investment management business of Sagard is consolidated under Sagard Holdings Management Inc. (SHMI). The Corporation, through Sagard, held a 53.5% controlling interest in SHMI at December 31, 2023 (80.9% at December 31, 2022).

POWER SUSTAINABLE

Power Sustainable is a sustainably led global alternative asset manager with offices in Canada, China, and the U.S. Power Sustainable aims to create long-term value by actively investing in entrepreneurial management teams, companies and projects with sustainable business models. 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 (public equities), Power Sustainable Energy Infrastructure, Power Sustainable Infrastructure Credit and Power Sustainable Lios (agri-food). At December 31, 2023, Power Sustainable had $4.5 billion of assets under management, including unfunded commitments.

Other Investments and Standalone Businesses

Other investments and standalone businesses includes the Corporation's investments held in investment and hedge funds as well as equity investments in standalone businesses which are managed to create and realize value over time. The standalone businesses include the Corporation's interest in Peak and Lion Electric, as well as a controlling interest in LMPG.

TABLE OF HOLDINGS

At December 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]	68.1	Controlling interest	Consolidation
IGM [3]	62.1	Controlling interest	Consolidation
GBL [4]	15.5	Joint control	Equity method
Alternative asset investment platforms			
Sagard			
SHMI [5]	53.5	Controlling interest	Consolidation
Wealthsimple [1][6]	14.4	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
Portage Capital Solutions [10]	39.4	Controlling interest	Consolidation
Sagard Funds [11]	various	Investment	Fair value through profit or loss
Power Sustainable			
Power Sustainable Manager	100.0	Controlling interest	Consolidation
Power Sustainable China (public equities)	< 5.0	Investment	Fair value through other comprehensive income
Power Sustainable Energy Infrastructure Partnership [12]	38.2	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	34.1	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 and third quarters of 2023, management of Sagard made additional investments in SHMI and acquired a total interest of 2.6% as of December 31, 2023. 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 December 31, 2023, management of Sagard held an 12.7% interest in SHMI. Lifeco also held a 12.9% interest in SHMI.
[6] Portage Ventures I and IGM also hold interests of 10.9% and 31.3%, respectively, in Wealthsimple (see also the section "Wealthsimple" in the section "Sagard and Power Sustainable").
[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 34.8% interest in Portage Capital Solutions.
[11] The Corporation holds a non-controlling interest in various funds managed by SHMI. Lifeco also holds an investment in certain of these funds. Refer to the section "Asset Management Activities" in the section "Sagard and Power Sustainable" for a list of investments and the respective holdings.
[12] Lifeco also holds a 14.7% interest in PSEIP.

FINANCIAL HIGHLIGHTS

SELECTED FINANCIAL INFORMATION

	Three months ended			Twelve months ended	
(in millions of dollars; except per share and as otherwise noted)	December 31, 2023	September 30, 2023	December 31, 2022 (restated) [1]	December 31, 2023	December 31, 2022 (restated) [1]
Net earnings [2]	406	975	89	2,195	2,195
Net earnings from continuing operations [2]	409	997	106	2,282	2,216
Adjusted net earnings from continuing operations [2][3]	579	1,007	395	2,959	2,004
Per share – basic [2]:					
Net earnings	0.63	1.47	0.14	3.32	3.27
Net earnings from continuing operations	0.63	1.50	0.16	3.45	3.30
Adjusted net earnings from continuing operations [4]	0.89	1.52	0.59	4.47	2.99
Dividend declared (per participating share)	0.525	0.525	0.495	2.100	1.980
Dividend yield [5]	5.5%	6.1%	6.2%		
Total consolidated assets (in billions)	749	715	704		
Total consolidated assets and assets under management [3] (in billions)	1,321	1,246	1,213		
Total consolidated assets and assets under administration [3] (in billions)	3,108	2,893	2,718		
Adjusted net asset value [2][3]	34,917	31,801	27,963		
Per share [4]	53.53	48.26	41.91		
Participating shareholders' equity	21,193	21,348	20,926		
Per share	32.49	32.40	31.37		
Market capitalization	24,714	22,785	21,247		
Share price (Subordinate Voting Shares)					
Ending	37.89	34.58	31.85	37.89	31.85
High	38.63	38.98	34.23	38.98	43.45
Low	32.33	34.48	29.76	32.00	29.76
Number of participating shares outstanding					
End of period	652.2	658.9	667.1	652.2	667.1
Average	655.2	660.4	667.3	662.0	670.6

[1] Refer to the section "Transition to IFRS 17 and IFRS 9" in the section "2023 Significant Developments and Transactions".

[2] Attributable to participating shareholders.

[3] Non-IFRS financial measure. Refer to the section "Non-IFRS Financial Measures".

[4] Non-IFRS ratio. Refer to the section "Non-IFRS Financial Measures".

[5] Dividend yield is calculated as the annualized dividend per participating share based on the dividend declared during the reporting period divided by the share price of a Subordinate Voting Share at the end of the reporting period.

SUMMARY OF THE CONTRIBUTIONS TO POWER CORPORATION'S EARNINGS FROM CONTINUING OPERATIONS

	Three months ended			Twelve months ended	
	December 31, 2023	September 30, 2023	December 31, 2022 (restated)	December 31, 2023	December 31, 2022 (restated)
Lifeco [1]	662	649	595	2,500	2,209
IGM [1]	124	130	140	510	538
GBL [1]	(1)	315	(24)	423	(133)
Effect of consolidation [2]	(27)	2	31	(43)	89
Publicly traded operating companies	758	1,096	742	3,390	2,703
Sagard and Power Sustainable	(65)	(11)	(183)	(161)	(365)
ChinaAMC	–	–	14	2	57
Other investments and standalone businesses	(12)	34	(82)	148	(20)
	681	1,119	491	3,379	2,375
Corporate operations and other [3]	(102)	(112)	(96)	(420)	(371)
Adjusted net earnings [4][5]	**579**	**1,007**	**395**	**2,959**	**2,004**
Adjustments [6]	(170)	(10)	(289)	(677)	212
Net earnings [4]	**409**	**997**	**106**	**2,282**	**2,216**

[1] Contribution based on earnings reported by Lifeco, IGM and GBL.

[2] Refer to the detailed table in the section "Results of Power Corporation".

[3] Includes operating and other expenses, and dividends on non-participating shares of the Corporation and Power Financial.

[4] Attributable to participating shareholders.

[5] Non-IFRS financial measure. Refer to the section "Non-IFRS Financial Measures".

[6] Refer to the detailed table of Adjustments in the section "Review of Segments and Operating Results".

2023 SIGNIFICANT DEVELOPMENTS AND TRANSACTIONS

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. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts. Under IFRS 17, groups of contracts are measured as 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). 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 has restated 2022 comparative results to reflect the adoption of IFRS 17.

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. 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 (IFRS 9 overlay), on an instrument-by-instrument basis, as permitted by the amendment to IFRS 17 published by the IASB in December 2021.

Refer to the section "Adoption of IFRS 17 and IFRS 9" in the section "Changes in Accounting Policies" as well as Note 2 and Note 3 to the Corporation's 2023 Consolidated Financial Statements for additional information.

HIGHLIGHTS AT THE PUBLICLY TRADED OPERATING COMPANIES

A number of strategic developments and transactions were completed throughout 2023, including:

Lifeco

Putnam Investments: On January 1, 2024, subsequent to year-end, Lifeco completed the previously announced sale of Putnam to Franklin Resources, Inc., operating as Franklin Templeton, in exchange for Franklin Templeton common shares, cash, and other deferred and contingent consideration. The transaction is not expected to have a material financial impact for Lifeco at close and will be reflected in the first quarter 2024 results. Lifeco will retain its controlling interest in PanAgora, a leading quantitative asset manager, and has agreed to retain shares representing approximately 4.9% of outstanding Franklin Templeton stock for a minimum 5-year period.

In addition to the sale, Lifeco, along with the Corporation and Franklin Templeton, has entered into a strategic partnership to distribute Franklin Templeton products. Lifeco will provide an initial long-term asset allocation of US$25 billion assets under management to Franklin Templeton within 12 months of closing with the potential for that amount to increase over the next several years.

Investment Planning Counsel: On November 30, 2023, Lifeco completed the previously announced acquisition of IPC, 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 is one of the largest non-bank wealth management providers in Canada. Lifeco acquired IPC for a total purchase consideration of $585 million. Lifeco expects to incur transaction and integration costs of $25 million pre-tax over 18 months following the closing of the acquisition. The Corporation, through IGM, currently consolidates IPC and therefore the transaction did not have a significant impact on the Corporation's consolidated statements of earnings and balance sheets.

Value Partners Group Inc. (Value Partners): On September 8, 2023, Canada Life completed its acquisition of Value Partners, bringing complementary capabilities that will further extend wealth offerings for advisors and their clients.

With the acquisitions of Value Partners and IPC, Canada Life is accelerating its vision of becoming a leading destination for entrepreneurial advisors and their clients. Together, Canada Life had over 16,000 advisor relationships and $102 billion in assets under administration as at December 31, 2023.

Other Transactions and Activities:

- On May 16, 2023, Canada Life United Kingdom (U.K.) announced an agreement to sell its individual onshore protection business to Countrywide Assured plc (Countrywide), a subsidiary of Chesnara plc. Approximately 47,000 customer policies will transfer to Countrywide in 2024, subject to the completion of a court-approved transfer. This follows the Canada Life U.K. announcement that it closed onshore individual protection insurance to new business in November 2022.
- During the fourth quarter of 2023, Lifeco undertook several strategic actions to help strengthen its market positions in Europe and enhance the outlook for 2024. The one-time financial impacts of these actions were excluded from adjusted net earnings.
  - Following the successful launch of Lifeco's joint venture, AIB Life, in 2023, Irish Life completed the sale to AIB Life of a portfolio of policies previously written under its pre-existing distribution agreement with Allied Irish Banks, p.l.c. The transaction resulted in a net gain of $118 million to Lifeco ($127 million of which was recorded in the fourth quarter of 2023). The sale of this portfolio of policies adds to the scale of AIB Life and accelerates the timeline to profitability.
  - Lifeco recorded provisions of $159 million related to the write-off of intangible assets related to certain information technology systems as well as provisions for staff reductions starting in 2024. The write-off of intangible assets and the provision for staff reductions arose from the following business decisions and activities of Lifeco: i) subsequent to December 31, 2023, in the first quarter of 2024, Lifeco announced its decision to close to new business its U.K. on-shore wealth business; ii) the restructuring provision will support Lifeco's German business with the implementation of its strategy to create growth through product diversification and an efficiency program leveraging the new administration platform and increased automation using artificial intelligence technologies; and iii) the continued implementation of Lifeco's "one Irish Life" strategy including the build-out of digital customer technologies and increased automation in Ireland.
  - An in-force block of U.K. annuity business was reinsured externally on attractive terms, supporting capital efficiency and capacity in this business line. This transaction increases the capacity for new U.K. annuity business in the buoyant U.K. market, where $991 million in business was written in the second half of 2023 and strengthened Lifeco's position for 2024. The reinsurance transaction resulted in a net gain of $110 million to Lifeco.

IGM Financial

Rockefeller Capital Management and Investment Planning Counsel: On April 3, 2023, IGM Financial purchased a 20.5% equity interest in Rockefeller, a leading U.S. independent financial services advisory firm, for consideration of $835 million (US$622 million) and for which payment was completed 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 entered into an agreement to sell 100% of the common shares of IPC to Canada Life. On November 30, 2023, IGM completed the sale of IPC for proceeds of $575 million, plus adjustments, and recorded a gain of $221 million. The Corporation eliminated this gain on consolidation and therefore the transaction did not have a significant impact on the Corporation's consolidated statements of earnings and balance sheets.

China Asset Management Co.: 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 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 sheets.

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. At the time of the transaction, IGM's interest in Lifeco decreased from 4.0% to 2.4% and Power Financial's equity interest in Lifeco increased to 68.2%. IGM's accounting gain on the sale of the Lifeco shares was $169 million after tax, consisting of $175 million recorded in the first quarter and a decrease of $6 million that was recorded on a prospective basis in the second quarter. The Corporation has eliminated the net gain on consolidation.

GBL

Webhelp Group and Concentrix Corporation (Concentrix): On September 25, 2023, Webhelp and Concentrix completed the previously announced agreement to combine, thereby creating a global player in customer experience. GBL's payment terms at closing consisted of i) Concentrix shares (Concentrix + Webhelp), representing a market value of €610 million (13.2% of the capital and voting rights as of September 30, 2023); ii) earn-out shares that could give access to additional capital of the combined entity if certain thresholds are reached, representing a market value of €17 million; iii) a seller note entitling GBL to receive approximately €510 million in cash on the second anniversary of the transaction closing, corresponding to an estimated present value of €460 million; and iv) cash of €15 million. Upon completion of this transaction, GBL recorded a gain on deconsolidation of Webhelp of approximately €1.3 billion, including the reversal of the liability to Webhelp's minority shareholders, which was extinguished without any impact on GBL's cash at the closing of the transaction. Since the acquisition of Webhelp in 2019, GBL has recognized cumulative net increases in value of the liability to Webhelp's minority shareholders of €1.2 billion.

Portfolio Rotation: During 2023, GBL continued to actively rotate its portfolio, and completed disposals within its portfolio of publicly listed investments, generating total proceeds of approximately €1.2 billion, including i) the disposal of its residual interest in MOWI of 1.9%, for proceeds of €158 million; ii) a reduction of its interest in Pernod Ricard from 6.9% at December 31, 2022 to 6.7%, for proceeds of €110 million; iii) exited its remaining 2.1% interest in Holcim following the maturity of forward sales with cumulative dividend on May 31, 2023, generating net proceeds of €567 million; and iv) the sale of the majority of its interest in GEA, equivalent to approximately 6.5% of GEA's capital, for proceeds of €365 million. These disposals generated a total net capital gain of €80 million for GBL (no impact on the net consolidated result in accordance with IFRS 9).

Share Repurchases: During 2023, GBL repurchased, directly and through its subsidiaries, 11.0 million shares of its own capital for a total consideration of €816 million. In March 2023, GBL's board of directors approved a sixth allocation for share buybacks of €500 million, subsequently increased to €630 million, which GBL started to execute in May 2023. At December 31, 2023, the sixth allocation for share buybacks had been executed. On November 2, 2023, GBL's board of directors approved a seventh allocation of €500 million. During the second quarter of 2023, GBL cancelled 6.3 million of its treasury shares and is expected to propose a resolution to cancel 8.3 million treasury shares at its Extraordinary General meeting on May 2, 2024.

HIGHLIGHTS AT THE ALTERNATIVE ASSET INVESTMENT PLATFORMS

Fundraising

In 2023, the alternative asset investment platforms continued their fundraising efforts, raising a total of $2.7 billion [1], including the following:

SAGARD

- **Sagard Senior Lending:** On February 8, 2023, Sagard announced the initial close of Sagard Senior Lending Partners, with commitments totalling US$315 million. At December 31, 2023, total commitments are US$515 million, of which US$338 million is currently callable.
- **Portage Capital Solutions:** In 2023, Sagard raised commitments of US$393 million in Portage Capital Solutions, of which US$381 million is currently callable.
- **Sagard NewGen:** In 2023, Sagard completed the final close of its European private equity fund, Sagard NewGen, raising additional capital of €82 million, increasing the total committed capital to €313 million. The Corporation also reduced its total commitment to Sagard NewGen by €42 million through secondary transactions.
- **Sagard Healthcare Partners:** In the second quarter of 2023, Sagard commenced fundraising for the second series of Sagard Healthcare Partners, and completed the initial close raising commitments of up to US$300 million, increasing total commitments of the fund up to US$1,026 million at December 31, 2023.

POWER SUSTAINABLE

- **Power Sustainable Infrastructure Credit:** On March 9, 2023, Power Sustainable announced the launch of its Global infrastructure credit platform and in 2023 raised total commitments of US$600 million from subsidiaries of Lifeco.
- **Power Sustainable Energy Infrastructure Partnership (PSEIP):** On November 29, 2023, Power Sustainable announced the final close of Vintage II of PSEIP. The partnership raised $200 million of additional capital commitments in 2023, increasing the committed capital of the investment platform to $1.8 billion.
- **Power Sustainable Lios:** In 2023, Power Sustainable raised an additional $44 million, increasing the total committed capital to $263 million, of which $234 million is currently callable.

Other Developments

SAGARD

New Strategic Partnerships in SHMI: In July 2023, Sagard announced new strategic partnerships with Abu Dhabi Developmental Holding Co. (ADQ), an Abu Dhabi-based investment and holding company, and Bank of Montreal (BMO). As part of this transaction, Sagard has also expanded its existing partnership with Lifeco, and the strategic partners have agreed to make respective commitments of additional long-term capital in Sagard's existing and future investment strategies. The strategic partnerships transaction closed on September 28, 2023. On closing, ADQ, BMO and Lifeco acquired an aggregate minority interest of 29.0% in SHMI. The Corporation remains the controlling shareholder of SHMI and the transaction did not have a significant impact on the consolidated financial statements.

Other Transactions:

- On September 22, 2023, Sagard acquired a 75.0% economic interest (49.0% voting interest) in Diagram Corporation. Diagram is a venture builder that conceives and launches technology companies, primarily in the financial services (fintech) and climate tech spaces. Diagram has launched and invested in more than 20 companies across five funds. Upon the closing of the transaction, the Corporation, through Sagard, has determined that it has control of Diagram in accordance with IFRS 10, *Consolidated Financial Statements*. As a result, the Corporation has consolidated Diagram, including its controlled funds, on the date of the acquisition.

SUBSEQUENT EVENTS

- In January 2024, subsequent to year-end, SHMI completed the previously announced transaction to acquire a strategic interest in Performance Equity Management, LLC (PEM), a global, multi-product, private equity investment firm. Sagard's investment in PEM marks its establishment of a fund of funds, secondary and co-investment platform. The agreement includes a path for Sagard to acquire all of the remaining equity of PEM on December 31, 2028.
- On March 13, 2024, subsequent to year-end, SHMI announced the acquisition of a 40% interest and strategic partnership with HalseyPoint Asset Management, LLC (HalseyPoint), a U.S.-based Collateralized Loan Obligations (CLO) manager. The HalseyPoint CLO strategy broadens Sagard's credit offering, which includes opportunistic credit and senior lending across North America.

[1] Includes commitments from the Corporation, associated companies and third parties. Refer to the section "Sagard and Power Sustainable" in the section "Review of Segments and Operating Results".

RESULTS OF POWER CORPORATION

This section presents:

- The "Consolidated Statements of Earnings in accordance with IFRS"; and
- 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. A discussion of the contributions of each of the reportable segments and other components follows in the section "Review of Segments and Operating Results".

Adjusted net earnings is a non-IFRS financial measure. Effective the first quarter of 2023, the Corporation introduced a refined definition of adjusted net earnings. 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, for an updated representation of Lifeco's underlying business performance, as well as to enhance consistency and comparability with its financial services peers. The comparative periods in 2022 have been restated to reflect this change. Refer to the section "Non-IFRS Financial Measures" for a description and reconciliation of IFRS and non-IFRS financial measures.

BASIS OF PRESENTATION

IFRS Financial Measures and Presentation

The 2023 Consolidated Financial Statements of the Corporation have been prepared in accordance with IFRS and are presented in Canadian dollars.

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.

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.

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 sheets and cash flow statements of the holding company, which are presented in Note 36 of the 2023 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 and twelve months ended December 31, 2023 are presented below. The Corporation's reportable segments include Lifeco, IGM and GBL, as well as the holding company. These tables reflect 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		
							December 31, 2023	September 30, 2023	December 31, 2022 (restated)
Insurance service result									
Insurance revenue	5,174	–	–	–	–	–	5,174	5,110	5,442
Insurance service expenses	(3,898)	–	–	–	–	–	(3,898)	(3,921)	(4,368)
Net expense from reinsurance contracts	(386)	–	–	–	–	–	(386)	(401)	(376)
Total insurance service result	890	–	–	–	–	–	890	788	698
Net investment result									
Net investment income (loss)[3]	13,483	235	–	9	99	(228)	13,598	(3,023)	3,507
Net investment result from insurance activities[4]	(13,208)	–	–	–	–	–	(13,208)	3,836	(3,373)
Total net investment result	275	235	–	9	99	(228)	390	813	134
Fee income and other revenues	1,558	837	–	–	239	(33)	2,601	2,569	2,378
Operating and administrative expenses	(2,002)	(609)	–	(40)	(459)	12	(3,098)	(2,654)	(2,673)
Financing charges	(104)	(39)	–	(14)	(29)	(1)	(187)	(202)	(228)
Earnings before investments in jointly controlled corporations and associates, and income taxes	617	424	–	(45)	(150)	(250)	596	1,314	309
Share of earnings (losses) of investments in jointly controlled corporations and associates	(10)	51	(1)	–	(11)	(22)	7	327	(80)
Earnings before income taxes	607	475	(1)	(45)	(161)	(272)	603	1,641	229
Income tax expense (recovery)	(170)	53	–	–	(26)	–	(143)	198	(5)
Net earnings – continuing operations	777	422	(1)	(45)	(135)	(272)	746	1,443	234
Net loss – discontinued operations	(3)	–	–	–	–	–	(3)	(31)	(26)
Net earnings	774	422	(1)	(45)	(135)	(272)	743	1,412	208
Attributable to									
Non-controlling interests	295	315	–	35	(49)	(272)	324	424	106
Non-participating shareholders	–	–	–	13	–	–	13	13	13
Participating shareholders of Power Corporation[2]	479	107	(1)	(93)	(86)	–	406	975	89
	774	422	(1)	(45)	(135)	(272)	743	1,412	208

[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 changes in fair value through profit or loss included in the net investment result on the consolidated statements of earnings.

[4] Includes net finance income (expenses) from insurance contracts, net finance income (expenses) from reinsurance contracts and changes in investment contract liabilities.

Consolidated Net Earnings – Twelve months ended

	Lifeco	IGM	GBL	Holding company	Alternative Asset Investment Platforms and Other[1]	Effect of consolidation[2]	Power Corporation Consolidated net earnings December 31, 2023	Power Corporation Consolidated net earnings December 31, 2022 (restated)
Insurance service result								
Insurance revenue	20,402	–	–	–	–	–	20,402	19,632
Insurance service expenses	(15,777)	–	–	–	–	–	(15,777)	(15,272)
Net expense from reinsurance contracts	(1,544)	–	–	–	–	–	(1,544)	(1,531)
Total insurance service result	3,081	–	–	–	–	–	3,081	2,829
Net investment result								
Net investment income (loss)[3]	15,348	438	–	67	396	(390)	15,859	(23,365)
Net investment result from insurance activities[4]	(13,820)	–	–	–	–	–	(13,820)	26,012
Total net investment result	1,528	438	–	67	396	(390)	2,039	2,647
Fee income and other revenues	5,874	3,432	–	–	974	(113)	10,167	9,267
Operating and administrative expenses	(6,994)	(2,562)	–	(187)	(1,540)	69	(11,214)	(9,683)
Financing charges	(426)	(141)	–	(55)	(137)	(7)	(766)	(672)
Earnings before investments in jointly controlled corporations and associates, and income taxes	3,063	1,167	–	(175)	(307)	(441)	3,307	4,388
Share of earnings (losses) of investments in jointly controlled corporations and associates	5	200	423	99	1	(113)	615	(34)
Earnings before income taxes	3,068	1,367	423	(76)	(306)	(554)	3,922	4,354
Income tax expense (recovery)	53	214	–	42	(31)	(15)	263	646
Net earnings – continuing operations	3,015	1,153	423	(118)	(275)	(539)	3,659	3,708
Net loss – discontinued operations	(124)	–	–	–	–	–	(124)	(32)
Net earnings	2,891	1,153	423	(118)	(275)	(539)	3,535	3,676
Attributable to								
Non-controlling interests	1,078	709	–	138	(98)	(539)	1,288	1,429
Non-participating shareholders	–	–	–	52	–	–	52	52
Participating shareholders of Power Corporation[2]	1,813	444	423	(308)	(177)	–	2,195	2,195
	2,891	1,153	423	(118)	(275)	(539)	3,535	3,676

[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 changes in fair value through profit or loss included in the net investment result on the consolidated statements of earnings.

[4] Includes net finance income (expenses) from insurance contracts, net finance income (expenses) from reinsurance contracts and changes in investment contract liabilities.

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

	Three months ended			Twelve months ended	
	December 31, 2023	September 30, 2023	December 31, 2022 (restated)	December 31, 2023	December 31, 2022 (restated)
Adjusted net earnings from continuing operations [1]					
Lifeco [2][3]	662	649	595	2,500	2,209
IGM [2]	124	130	140	510	538
GBL [2]	(1)	315	(24)	423	(133)
Effect of consolidation [4]	(27)	2	31	(43)	89
	758	1,096	742	3,390	2,703
Sagard and Power Sustainable	(65)	(11)	(183)	(161)	(365)
ChinaAMC [5]	–	–	14	2	57
Other investments and standalone businesses	(12)	34	(82)	148	(20)
Corporate operating and other expenses	(54)	(65)	(49)	(230)	(184)
Dividends on non-participating and perpetual preferred shares	(48)	(47)	(47)	(190)	(187)
	579	**1,007**	**395**	**2,959**	**2,004**
Adjustments [6]					
Lifeco [2][3]	(155)	(10)	(277)	(549)	206
IGM [2]	137	–	–	204	–
Effect of consolidation	(152)	–	(12)	(278)	16
	(170)	(10)	(289)	(623)	222
Sagard and Power Sustainable	–	–	–	–	(10)
ChinaAMC [5]	–	–	–	(54)	–
	(170)	**(10)**	**(289)**	**(677)**	**212**
Net earnings from continuing operations [7]					
Lifeco [2][3]	507	639	318	1,951	2,415
IGM [2]	261	130	140	714	538
GBL [2]	(1)	315	(24)	423	(133)
Effect of consolidation	(179)	2	19	(321)	105
	588	1,086	453	2,767	2,925
Sagard and Power Sustainable	(65)	(11)	(183)	(161)	(375)
ChinaAMC [5]	–	–	14	(52)	57
Other investments and standalone businesses	(12)	34	(82)	148	(20)
Corporate operating and other expenses	(54)	(65)	(49)	(230)	(184)
Dividends on non-participating and perpetual preferred shares	(48)	(47)	(47)	(190)	(187)
	409	**997**	**106**	**2,282**	**2,216**
Net earnings (loss) from discontinued operations – Putnam [3]	(3)	(22)	(17)	(87)	(21)
Net earnings [7]	**406**	**975**	**89**	**2,195**	**2,195**

[1] Adjusted net earnings from continuing operations (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" in the section "Review of Segments and Operating Results" below which detail the contribution to net earnings and adjusted net earnings of each.

[2] Contribution based on earnings reported by Lifeco, IGM and GBL.

[3] Comparative results have been restated to exclude net earnings (loss) from discontinued operations related to Putnam.

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

[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.

Adjusted and Net Earnings Per Share

	Three months ended			Twelve months ended	
	December 31, 2023	September 30, 2023	December 31, 2022 (restated)	December 31, 2023	December 31, 2022 (restated)
Earnings per share – basic [1]					
Adjusted net earnings from continuing operations	0.89	1.52	0.59	4.47	2.99
Adjustments	(0.26)	(0.02)	(0.43)	(1.02)	0.31
Net earnings from continuing operations	0.63	1.50	0.16	3.45	3.30
Net earnings (loss) from discontinued operations – Putnam	–	(0.03)	(0.02)	(0.13)	(0.03)
Net earnings	0.63	1.47	0.14	3.32	3.27

[1] Attributable to participating shareholders.

EFFECT OF CONSOLIDATION

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 SHMI; and
  - ii) An allocation of the results of the fintech portfolio, including Wealthsimple, Portage Ventures I, Portage Ventures II, Portage Ventures III and Portage Capital Solutions, 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 for Lifeco, IGM and GBL:

	Three months ended			Twelve months ended	
	December 31, 2023	September 30, 2023	December 31, 2022 (restated)	December 31, 2023	December 31, 2022 (restated)
Lifeco	(24)	(6)	(33)	(50)	(30)
IGM	(3)	8	(8)	7	1
GBL	–	–	72	–	118
	(27)	2	31	(43)	89
Per share [1]	(0.04)	–	0.05	(0.07)	0.14

[1] Attributable to participating shareholders.

Q4 2023 vs. Q4 2022 and Q3 2023	2023 vs. 2022
Net earnings	
$406 million or $0.63 per share, compared with $89 million or $0.14 per share in the corresponding period in 2022, and $975 million or $1.47 per share in the third quarter of 2023.	$2,195 million or $3.32 per share, compared with $2,195 million or $3.27 per share in the corresponding period in 2022, an increase of 1.5% on a per share basis.
Net earnings from continuing operations	
$409 million or $0.63 per share, compared with $106 million or $0.16 per share in the corresponding period in 2022, and $997 million or $1.50 per share in the third quarter of 2023.	$2,282 million or $3.45 per share, compared with $2,216 million or $3.30 per share in the corresponding period in 2022, an increase of 4.5% on a per share basis.
Adjusted net earnings from continuing operations	
$579 million or $0.89 per share, compared with $395 million or $0.59 per share in the corresponding period in 2022, an increase of 50.8% on a per share basis, and $1,007 million or $1.52 per share in the third quarter of 2023.	$2,959 million or $4.47 per share, compared with $2,004 million or $2.99 per share in the corresponding period in 2022, an increase of 49.5% on a per share basis.
Contribution to net earnings and adjusted net earnings from continuing operations from Lifeco, IGM and GBL	
Contribution to net earnings from continuing operations of $588 million, compared with $453 million in the corresponding period in 2022, an increase of 29.8%, and $1,086 million in the third quarter of 2023. Contribution to adjusted net earnings from continuing operations of $758 million, compared with $742 million in the corresponding period in 2022, an increase of 2.2%, and $1,096 million in the third quarter of 2023.	Contribution to net earnings from continuing operations of $2,767 million, compared with $2,925 million in the corresponding period in 2022, a decrease of 5.4%. Contribution to adjusted net earnings from continuing operations of $3,390 million, compared with $2,703 million in the corresponding period in 2022, an increase of 25.4%.

Main Drivers of Earnings

NET EARNINGS AND ADJUSTED NET EARNINGS FROM CONTINUING OPERATIONS

The Corporation’s net earnings and adjusted net earnings for the three-month period ended December 31, 2023 increased by $303 million and by $184 million or 46.6%, respectively, from the corresponding quarter of 2022:

- **Lifeco:** contribution to net earnings and adjusted net earnings increased by $189 million or 59.4% and by $67 million or 11.3%, respectively.
- **IGM:** contribution to net earnings increased by $121 million or 86.4% and the contribution to adjusted net earnings decreased by $16 million or 11.4%.
- **GBL:** contribution to net earnings of negative $1 million in the fourth quarter of 2023, compared with a negative contribution of $24 million in the fourth quarter of 2022.
- **Sagard and Power Sustainable**: net earnings include a positive contribution of $21 million from Sagard and a negative contribution of $86 million from Power Sustainable in the fourth quarter of 2023, compared with a negative contribution from Sagard and Power Sustainable of $23 million and $160 million, respectively, in 2022.

The Corporation’s net earnings and adjusted net earnings for the twelve-month period ended December 31, 2023 increased by $66 million or 3.0% and by $955 million or 47.7%, respectively, from the corresponding period in 2022:

- **Lifeco:** contribution to net earnings decreased by $464 million or 19.2% and the contribution to adjusted net earnings increased by $291 million or 13.2%.
- **IGM:** contribution to net earnings increased by $176 million or 32.7% and the contribution to adjusted net earnings decreased by $28 million or 5.2%.
- **GBL:** contribution to net earnings of $423 million, compared with a negative contribution of $133 million in 2022.
- **Sagard and Power Sustainable**: net earnings include a positive contribution of $11 million from Sagard and a negative contribution of $172 million from Power Sustainable in 2023, compared with a negative contribution from Sagard and Power Sustainable of $42 million and $323 million, respectively, in 2022.

A discussion of the results of Lifeco, IGM, GBL and Sagard and Power Sustainable is provided in the sections “Lifeco”, “IGM Financial”, “GBL” and “Sagard and Power Sustainable” in the section “Review of Segments and Operating Results” below.

For additional discussion of the results of Lifeco and IGM, refer to Part B and C, respectively, of this MD&A.

REVIEW OF SEGMENTS AND OPERATING RESULTS

PUBLICLY TRADED OPERATING COMPANIES

Lifeco

OVERVIEW OF THE BUSINESS

Lifeco is an international financial services holding company with interests in life insurance, health insurance, retirement and investment services, asset management and reinsurance businesses. Lifeco operates primarily in Canada, the U.S. and Europe under the brands Canada Life, Empower 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 provide greater clarity and transparency into how it is creating value for shareholders and growing its business. Lifeco focuses 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). On January 1, 2024, subsequent to year-end, Lifeco completed the previously announced sale of Putnam Investments to Franklin Templeton, and as a result of the transaction Putnam is presented as discontinued operations.

The Canada segment is operated by Canada Life, offering a broad portfolio of financial and benefit plan solutions for individuals, families, businesses and organizations 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 benefits, group creditor and group retirement and investment products, including life, accidental death and dismemberment, critical illness, disability, health and dental protection, and creditor insurance, as well as retirement savings and income and annuity products and other speciality products to group clients in Canada. Through the Individual Wealth Management business unit, Lifeco provides wealth savings and income products and services to individual customers. The Insurance & Annuities business unit offers individual life, disability and critical illness insurance products and services, as well as individual life annuities and single-premium group annuities.

The United States segment is operated by Empower through the Empower Defined Contribution and the Empower Personal Wealth business units, as well by PanAgora through the Asset Management business unit. The Empower Defined Contribution business unit helps people with saving, investing and advice through employer-sponsored defined contribution, defined benefit and non-qualified plans. The Empower Personal Wealth business unit offers individual product solutions and provides retail wealth management products and services to individuals, including individual retirement accounts and after-tax investment accounts. The Asset Management business unit 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 PanAgora Asset Management business units, including a retained block of life insurance, predominately participating policies, which are now administered by Protective Life Insurance Company, as well as a closed retrocession block of life insurance. The United States segment also includes the results of Putnam which has been classified as discontinued operations.

The Europe segment operates under the Canada Life brand in the U.K. and Germany and under the Irish Life brand in Ireland along with other acquired brands within the broker market 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 employee benefit consulting 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 pension products offered 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 under the Insurance & Risk Solutions value driver, 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.

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

RESULTS

Contribution to Power Corporation

	Three months ended			Twelve months ended	
	December 31, 2023	September 30, 2023	December 31, 2022 (restated)	December 31, 2023	December 31, 2022 (restated)
Average direct ownership (%)	68.2	68.2	66.6	68.2	66.6
Contribution to earnings					
Net earnings from continuing operations	482	633	285	1,898	2,386
Adjusted net earnings from continuing operations	638	643	562	2,450	2,179
Total dividend received				1,322	1,216
Contribution to holding company balance sheets					
Investment in Lifeco, carrying value				15,326	14,579
% of total holding company assets				57.1	54.8
Investment in Lifeco, fair value				27,871	19,414
% of total holding company assets, at fair value				68.7	57.7

Reconciliation of contribution to net earnings and adjusted net earnings of Power Corporation

	Three months ended			Twelve months ended	
	December 31, 2023	September 30, 2023	December 31, 2022 (restated)	December 31, 2023	December 31, 2022 (restated)
Contribution to Power Corporation's:					
Adjusted net earnings from continuing operations					
As reported by Lifeco	662	649	595	2,500	2,209
Effect of consolidation [1]	(24)	(6)	(33)	(50)	(30)
	638	643	562	2,450	2,179
Adjustments					
As reported by Lifeco	(155)	(10)	(277)	(549)	206
Effect of consolidation [2]	(1)	–	–	(3)	1
	(156)	(10)	(277)	(552)	207
Net earnings from continuing operations	482	633	285	1,898	2,386
Net earnings (loss) from discontinued operations – Putnam	(3)	(21)	(17)	(85)	(21)
Net earnings	479	612	268	1,813	2,365

[1] 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 SHMI and an allocation of the results of the fintech portfolio.

[2] 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			Twelve months ended	
	December 31, 2023	September 30, 2023	December 31, 2022 (restated)	December 31, 2023	December 31, 2022 (restated)
Adjusted net earnings from continuing operations [1][2][3]	1.04	1.02	0.96	3.94	3.56
Adjustments [4]	(0.24)	(0.01)	(0.45)	(0.87)	0.33
Net earnings from continuing operations [1]	0.80	1.01	0.51	3.07	3.89
Net earnings [1]	0.79	0.97	0.48	2.94	3.86

[1] Attributable to Lifeco common shareholders.

[2] Defined as "base earnings per common share" by Lifeco, a non-IFRS ratio; refer to the section "Non-GAAP Financial Measures and Ratios" in Part B of this MD&A. With the adoption of IFRS 17, in the first quarter of 2023 Lifeco refined the definition of base earnings (loss) for an updated representation of Lifeco's underlying business performance, as well as to enhance consistency and comparability with financial services industry peers. The comparative periods have been adjusted to reflect this change.

[3] Comparative results have been restated to exclude net earnings (loss) from discontinued operations related to Putnam.

[4] See the section "Adjustments" below.

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

	Three months ended			Twelve months ended	
	December 31, 2023	September 30, 2023	December 31, 2022 (restated)	December 31, 2023	December 31, 2022 (restated)
Adjusted net earnings from continuing operations [1][2]					
Canada	301	296	260	1,158	1,164
United States [3]	261	262	215	1,006	737
Europe	213	206	256	777	845
Capital and Risk Solutions	236	198	181	794	598
Lifeco Corporate	(40)	(12)	(18)	(68)	(26)
	971	950	894	3,667	3,318
Adjustments [4]					
Market experience relative to expectations [5]	(213)	153	(386)	(307)	530
Realized OCI gains (losses) from asset rebalancing	–	–	–	(121)	–
Assumption changes and management actions [5][6]	83	(106)	(5)	(20)	47
Other non-market related impacts [6][7]	(98)	(61)	(25)	(357)	(267)
	(228)	(14)	(416)	(805)	310
Net earnings from continuing operations [1]					
Canada	166	414	352	961	1,431
United States	194	244	168	769	464
Europe	217	25	(25)	384	1,202
Capital and Risk Solutions	215	265	3	833	542
Lifeco Corporate	(49)	(12)	(20)	(85)	(11)
Net earnings from continuing operations [1]	743	936	478	2,862	3,628
Net earnings (loss) from discontinued operations – Putnam [3]	(3)	(31)	(26)	(124)	(32)
Net earnings [1]	740	905	452	2,738	3,596

[1] Attributable to Lifeco common shareholders.

[2] Defined as "base earnings (loss)" 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. With the adoption of IFRS 17, in the first quarter of 2023 Lifeco refined the definition of base earnings (loss) for an updated representation of Lifeco's underlying business performance, as well as to enhance consistency and comparability with financial services industry peers. The comparative periods have been adjusted to reflect this change.

[3] Comparative results have been restated to exclude net earnings (loss) from discontinued operations related to Putnam.

[4] See the section "Adjustments" below. Described as "items excluded from base earnings" by Lifeco; refer to Part B of this MD&A.

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

[6] Following internal reviews at Lifeco, the mapping of certain assumption changes and management actions and business transformation impacts has been modified to reflect current presentation and comparative results for the periods ended December 31, 2022 have been restated, as applicable.

[7] Includes business transformation impacts (including restructuring and integration costs as well as acquisition and divestiture costs), amortization of acquisition-related intangible assets and tax legislative changes impacts.

Q4 2023 vs. Q4 2022 and Q3 2023	**2023 vs. 2022**
Net earnings	
$740 million or $0.79 per share, compared with $452 million or $0.48 per share in the corresponding period in 2022, an increase of 64.6% on a per share basis, and $905 million or $0.97 per share in the third quarter of 2023.	$2,738 million or $2.94 per share, compared with $3,596 million or $3.86 per share in the corresponding period in 2022, a decrease of 23.8% on a per share basis.
Net earnings from continuing operations	
$743 million or $0.80 per share, compared with $478 million or $0.51 per share in the corresponding period in 2022, an increase of 56.9% on a per share basis, and $936 million or $1.01 per share in the third quarter of 2023.	$2,862 million or $3.07 per share, compared with $3,628 million or $3.89 per share in the corresponding period in 2022, a decrease of 21.1% on a per share basis.
Adjusted net earnings from continuing operations	
$971 million or $1.04 per share, compared with $894 million or $0.96 per share in the corresponding period in 2022, an increase of 8.3% on a per share basis, and $950 million or $1.02 per share in the third quarter of 2023.	$3,667 million or $3.94 per share, compared with $3,318 million or $3.56 per share in the corresponding period in 2022, an increase of 10.7% on a per share basis.

CANADA

Net earnings in the three-month period ended December 31, 2023 decreased by $186 million to $166 million, compared with the corresponding quarter in 2022. Adjusted net earnings in the three-month period ended December 31, 2023 were $301 million, an increase of $41 million compared with the corresponding quarter in 2022, reflecting:

- Strong group disability results driven by improved morbidity experience and management pricing actions and higher earnings on surplus.
- Partially offset by unfavourable individual insurance mortality experience and favourable impacts from certain tax estimates in 2022 which did not repeat.

Adjusted net earnings in the three-month period ended December 31, 2023 excluded Adjustments of negative $135 million, compared with Adjustments of positive $92 million in the corresponding quarter in 2022. Market experience relative to expectations was negative $114 million in the fourth quarter of 2023 due to a decrease in long-term interest rates and credit spreads, which increased the fair value of liabilities more than the assets supporting them, partially offset by favourable non-fixed income asset performance. Market experience relative to expectations was positive $61 million in the corresponding quarter in 2022, due to an increase in long-term interest rates, partially offset by a decrease in credit spreads, which decreased the fair value of liabilities more than the assets supporting them. This increase was also partially offset by unfavourable non-fixed income asset performance. The corresponding period in 2022 also included a positive $63 million one-time impact for a change in the Canadian statutory income tax rate, which did not repeat in 2023.

In conjunction with the transition to IFRS 17, Lifeco made asset liability management (ALM) and accounting policy choices to increase the stability of regulatory capital. As a result, a certain amount of additional net earnings sensitivity was accepted by Lifeco in order to balance the Life Insurance Capital Adequacy Test (LICAT) capital sensitivity, resulting in more stable capital positions. Over the time frame since transition, cumulative fluctuations in net earnings driven by market experience relative to expectations have been modest and regulatory capital has experienced increased stability, consistent with the expectations of Lifeco's management. For additional information, refer to the section "Transition to IFRS 17 and IFRS 9" in Part B of this MD&A.

Net earnings in the twelve-month period ended December 31, 2023 decreased by $470 million to $961 million, compared with the corresponding period in 2022. Adjusted net earnings in the twelve-month period ended December 31, 2023 were $1,158 million, a decrease of $6 million compared with the corresponding period in 2022, primarily due to:

- Favourable impacts from certain tax estimates in 2022 that did not repeat and slightly lower CSM recognition for services provided.
- Partially offset by increased group life and health earnings driven by premium growth and strong disability experience, and higher earnings on surplus.

Adjusted net earnings before tax for the twelve months ended December 31, 2023 increased by 10% compared with the corresponding period in 2022.

Adjusted net earnings in the twelve-month period ended December 31, 2023 excluded Adjustments of negative $197 million, compared with Adjustments of positive $267 million in the corresponding period in 2022. Market experience relative to expectations was negative $139 million, compared with positive $136 million for the corresponding period in 2022. Assumption changes and management actions were negative $38 million, compared with positive $87 million in the corresponding period in 2022, although these changes must be considered along with the associated CSM impacts. The corresponding period in 2022 included a positive $63 million one-time impact for a change in the Canadian statutory income tax rate.

UNITED STATES (CONTINUING OPERATIONS)

Net earnings from continuing operations in the three-month period ended December 31, 2023 increased by US$17 million (C$26 million) to US$142 million (C$194 million), compared with the corresponding quarter in 2022. Adjusted net earnings were US$193 million (C$261 million) in the three-month period ended December 31, 2023, an increase of US$33 million (C$46 million), compared with the corresponding quarter in 2022, primarily due to:

- An increase in fee and other income due to organic growth in the business, higher average equity markets, as well as a favourable fee income adjustment related to Prudential.
- Partially offset by credit-related impairments of commercial mortgage loans in the fourth quarter of 2023.

Adjusted net earnings in the three-month period ended December 31, 2023 excluded Adjustments of negative US$51 million (C$67 million), compared with negative US$35 million (C$47 million) in the corresponding quarter in 2022. The increase in negative Adjustments was primarily due to unfavourable market experience relative to expectations as well as higher amortization of acquisition-related intangible assets. In addition, the fourth quarter of 2022 included a favourable adjustment related to the completion of the Prudential acquisition.

Net earnings from continuing operations in the twelve-month period ended December 31, 2023 increased by US$220 million (C$305 million) to US$572 million (C$769 million), compared with the corresponding period in 2022. Adjusted net earnings were US$749 million (C$1,006 million) in the twelve-month period ended December 31, 2023, an increase of US$186 million (C$269 million), compared with the corresponding period in 2022, primarily due to the same reasons discussed in the three-month period above, as well as higher contribution from investment experience and an additional quarter of Prudential-related earnings in 2023.

Adjusted net earnings in the twelve-month period ended December 31, 2023 excluded Adjustments of negative US$177 million (C$237 million), compared with negative US$211 million (C$273 million) in the corresponding period in 2022. The decrease in negative Adjustments was primarily due to lower integration and restructuring costs related to the completion of the MassMutual and Personal Capital integrations in 2022 and improved market experience relative to expectations. The decrease in negative Adjustments was partially offset by a provision recorded in the second quarter of 2023 related to Empower's sale, via indemnity reinsurance, of substantially all of its individual life and annuity business in 2019.

EUROPE

Net earnings in the three-month period ended December 31, 2023 increased by $242 million to $217 million, compared with the corresponding quarter in 2022. Adjusted net earnings in the three-month period ended December 31, 2023 were $213 million, a decrease of $43 million compared with the corresponding quarter in 2022, primarily due to:

- Lower investment earnings in Insurance & Annuities driven by the impact of trading activity in the prior year that did not reoccur.
- Partially offset by favourable group protection experience in Workplace Solutions and the impact of currency movement.

Adjusted net earnings in the three-month period ended December 31, 2023 excluded Adjustments of positive $4 million, compared with Adjustments of negative $281 million in the corresponding quarter in 2022. The increase in Adjustments was primarily due to a net gain on sale of a portfolio of policies to AIB Life of $127 million and from the impact of recapturing a block of in-force annuities reinsured internally which resulted in a net gain of $110 million. In addition, property value reductions were greater in 2022 than in 2023. These items were partially offset by an asset impairment related to information technology systems as well as provisions for restructuring costs.

In conjunction with the transition to IFRS 17, Lifeco made ALM and accounting policy choices to increase the stability of regulatory capital. As a result, a certain amount of additional net earnings sensitivity was accepted by Lifeco in order to balance LICAT capital sensitivity, resulting in more stable capital positions. Over the time frame since transition, cumulative fluctuations in net earnings driven by market experience relative to expectations have been modest and regulatory capital has experienced increased stability, consistent with the expectations of Lifeco's management. For additional information, refer to the section "Transition to IFRS 17 and IFRS 9" in Part B of this MD&A.

Net earnings in the twelve-month period ended December 31, 2023 were $384 million, compared with $1,202 million in the corresponding period in 2022. Adjusted net earnings in the twelve-month period ended December 31, 2023 were $777 million, a decrease of $68 million compared with the corresponding period in 2022, primarily due to:

- Lower investment earnings in Insurance & Annuities and changes in fees and expense allocations in Individual Wealth & Asset Management.
- Partially offset by favourable group protection experience in Workplace Solutions, improved morbidity experience in Insurance & Annuities and the impact of currency movement.

Adjusted net earnings in the twelve-month period ended December 31, 2023 excluded Adjustments of negative $393 million, compared with Adjustments of positive $357 million in the corresponding period in 2022. The decrease in Adjustments was primarily due to positive contributions in the corresponding period in 2022 from higher-than-expected non-fixed income asset returns and positive impacts from higher risk-free rates, whereas 2023 included negative market experience relative to expectations driven by reductions in commercial property values, and realized OCI losses related to asset rebalancing to shorter duration assets in the surplus account in the second quarter of 2023. These reductions were partially offset by the net gain on sale to AIB Life and the U.K. in-force annuity reinsurance recapture as discussed in the three-month period above.

CAPITAL AND RISK SOLUTIONS

Net earnings in the three-month period ended December 31, 2023 increased by $212 million to $215 million, compared with the corresponding quarter in 2022. Adjusted net earnings in the three-month period ended December 31, 2023 were $236 million, an increase of $55 million compared with the corresponding quarter in 2022, primarily due to growth in the structured business and net positive insurance experience mainly driven by favourable claims developments on property catastrophe losses in 2022, partially offset by unfavourable experience in the U.S. life business and on certain structured transactions.

Adjusted net earnings in the three-month period ended December 31, 2023 excluded Adjustments of negative $21 million, compared with negative $178 million in the corresponding quarter in 2022. The decrease in negative Adjustments was driven by relative interest rate and credit spread in-period movements.

In conjunction with the transition to IFRS 17, Lifeco made ALM and accounting policy choices to increase the stability of regulatory capital. As a result, a certain amount of additional net earnings sensitivity was accepted by Lifeco in order to balance LICAT capital sensitivity, resulting in more stable capital positions. Over the time frame since transition, cumulative fluctuations in net earnings driven by market experience relative to expectations have been modest and regulatory capital has experienced increased stability, consistent with the expectations of Lifeco's management. For additional information, refer to the section "Transition to IFRS 17 and IFRS 9" in Part B of this MD&A.

Net earnings in the twelve-month period ended December 31, 2023 increased by $291 million to $833 million, compared with the corresponding period in 2022. Adjusted net earnings in the twelve-month period ended December 31, 2023 were $794 million, an increase of $196 million compared with the corresponding period in 2022, primarily due to the same reasons discussed in the three-month period above, as well as a provision for estimated claims related to Hurricane Ian of $128 million in 2022.

Adjusted net earnings in the twelve-month period ended December 31, 2023 excluded Adjustments of positive $39 million, compared with Adjustments of negative $56 million in the corresponding period in 2022. The increase in Adjustments was primarily due to relative interest rate and credit spread in-period movements, partially offset by net assumption updates.

ADJUSTMENTS

Adjustments are items excluded from net earnings from continuing operations 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 2023, Adjustments with a negative earnings impact of $805 million after tax consist of:

- In the fourth quarter of 2023, Adjustments were a net negative earnings impact of $228 million, which consisted of market experience relative to expectations of negative $213 million after tax ($351 million pre-tax), business transformation impacts of $67 million after-tax ($137 million pre-tax), and amortization of acquisition-related finite life intangibles of $31 million after tax ($42 million pre-tax), partially offset by a positive earnings impact from assumption changes and management actions of $83 million after tax (negative $28 million pre-tax).
- In the third quarter of 2023, Adjustments were a net negative earnings impact of $14 million, which consisted of a negative earnings impact from assumption changes and management actions of $106 million after tax ($125 million pre-tax), business transformation impacts of $25 million after tax ($33 million pre-tax), and amortization of acquisition-related finite life intangibles of $36 million after tax ($48 million pre-tax), partially offset by market experience relative to expectations of positive $153 million after tax ($191 million pre-tax).
- In the second quarter of 2023, Adjustments were a net negative earnings impact of $351 million, which consisted of market experience relative to expectations of negative $79 million after tax ($92 million pre-tax), realized losses from the sale of surplus assets measured at FVOCI from asset rebalancing of $121 million after tax ($158 million pre-tax), a negative earnings impact from assumption changes and management actions of $4 million after tax ($5 million pre-tax), business transformation impacts of $111 million after tax ($144 million pre-tax), and amortization of acquisition-related finite life intangibles of $36 million after tax ($49 million pre-tax).
- In the first quarter of 2023, Adjustments were a net negative earnings impact of $212 million, which consisted of market experience relative to expectations of negative $168 million after tax ($209 million pre-tax), business transformation impacts of $19 million after tax ($26 million pre-tax), and amortization of acquisition-related finite life intangibles of $32 million after tax ($43 million pre-tax), partially offset by a positive earnings impact from assumption changes and management actions of $7 million after tax ($9 million pre-tax).

In 2022, Adjustments with a positive earnings impact of $310 million after tax consisted of:

- In the fourth quarter of 2022, Adjustments were a negative net impact of $416 million, which consisted of market experience relative to expectations of negative $386 million after tax ($393 million pre-tax), negative earnings impact from assumption changes and management actions of $5 million after tax ($21 million pre-tax), business transformation impacts of $61 million after tax ($73 million pre-tax), amortization of acquisition-related finite life intangibles of $27 million after tax ($36 million pre-tax), partially offset by positive impact from tax legislative changes of $63 million.
- In the third quarter of 2022, Adjustments were a net positive earnings impact of $177 million, which consisted of market experience relative to expectations of positive $151 million after tax ($228 million pre-tax), positive earnings impact from assumption changes and management actions of $85 million after tax ($96 million pre-tax), partially offset by business transformation impacts of $23 million after tax ($42 million pre-tax), and amortization of acquisition-related finite life intangibles of $36 million after tax ($47 million pre-tax).
- In the second quarter of 2022, Adjustments were a net negative earnings impact of $73 million, which consisted of negative earnings impact from assumption changes and management actions of $15 million after tax ($17 million pre-tax), business transformation impacts of $101 million after tax ($131 million pre-tax), and amortization of acquisition-related finite life intangibles of $36 million after tax ($49 million pre-tax), partially offset by market experience relative to expectations of positive $79 million after tax ($152 million pre-tax).
- In the first quarter of 2022, Adjustments were a net positive earnings impact of $622 million, which consisted of market experience relative to expectations of positive $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), business transformation impacts of $19 million after tax ($25 million pre-tax), and amortization of acquisition-related finite life intangibles of $27 million after tax ($35 million pre-tax).

The information above has been derived from Lifeco's annual MD&A; see Part B of this MD&A for additional information on Lifeco's annual results. Lifeco's most recent annual MD&A is available under its profile on SEDAR+ (www.sedarplus.com).

IGM Financial

OVERVIEW OF THE BUSINESS

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. IGM's core business is comprised of 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. In the fourth quarter of 2023, IGM realigned its reportable segments to better characterize and simplify the Company's business lines into wealth management and asset management segments. IGM has three reportable segments: Wealth Management, Asset Management, and Corporate and Other.

The Wealth Management segment reflects the activities of its core business and strategic investments that are principally focused on providing financial planning and related services to retail client households. This segment includes the activities of IG Wealth Management, a retail distribution organization that serves Canadian households through its securities dealer, mutual fund dealer and other subsidiaries licensed to distribute financial products and services. IG Wealth Management provides comprehensive personal financial planning by offering a broad range of financial products and services in the areas of advanced financial planning, mortgage banking, insurance, and securities. IG Wealth Management distinguishes itself from its competition by offering comprehensive planning to its clients that synchronizes their financial lives. This segment also includes the investment management activities of these organizations, including mutual fund management and discretionary portfolio management services, as well as IGM's strategic investments in Rockefeller (classified as an investment in an associate) and Wealthsimple (classified by IGM as an investment at FVOCI). This segment also included IPC, which was sold on November 30, 2023.

The Asset Management segment reflects the activities of its core business and strategic investments primarily focused on providing investment management services. This segment includes the operations of Mackenzie Investments which provides investment management services 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. This segment also includes IGM's strategic investments in ChinaAMC and Northleaf which are both classified as an investment in an associate.

The Corporate and Other segment primarily represents the investments made by IGM in Lifeco and the Portage Ventures funds (refer to the section "Alternative Asset Investment Platforms"), IGM's unallocated capital, as well as consolidation elimination entries.

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

RESULTS

Contribution to Power Corporation

	Three months ended			Twelve months ended	
	December 31, 2023	September 30, 2023	December 31, 2022 (restated)	December 31, 2023	December 31, 2022 (restated)
Average direct ownership (%)	62.1	62.1	62.2	62.1	62.0
Contribution to earnings					
Net earnings from continuing operations	107	138	120	446	554
Adjusted net earnings from continuing operations	121	138	132	517	539
Total dividend received				333	333
Contribution to holding company balance sheets					
Investment in IGM, carrying value				3,702	3,607
% of total holding company assets				13.8	13.6
Investment in IGM, fair value				5,179	5,592
% of total holding company assets, at fair value				12.8	16.6

Reconciliation of contribution to net earnings and adjusted net earnings of Power Corporation

	Three months ended			Twelve months ended	
	December 31, 2023	September 30, 2023	December 31, 2022 (restated)	December 31, 2023	December 31, 2022 (restated)
Contribution to Power Corporation's:					
Adjusted net earnings from continuing operations					
As reported by IGM [1]	124	130	140	510	538
Effect of consolidation [2]	(3)	8	(8)	7	1
	121	138	132	517	539
Adjustments					
As reported by IGM	137	–	–	204	–
Effect of consolidation [3]	(151)	–	(12)	(275)	15
	(14)	–	(12)	(71)	15
Net earnings from continuing operations	107	138	120	446	554
Net earnings (loss) from discontinued operations					
Effect of consolidation [4]	–	(1)	–	(2)	–
Net earnings	107	137	120	444	554

[1] Based on adjusted net earnings available to IGM common shareholders.

[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. On January 1, 2018, IGM adopted IFRS 9; Power Corporation deferred the adoption of IFRS 9 to 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.

[4] Represents IGM's share of the discontinued operations of Lifeco.

Adjusted and net earnings per share as reported by IGM

	Three months ended			Twelve months ended	
	December 31, 2023	September 30, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Adjusted net earnings [1][2]	0.84	0.88	0.94	3.44	3.63
Adjustments [3][4]	0.92	–	–	1.38	–
Net earnings [1]	1.76	0.88	0.94	4.82	3.63

[1] Available to IGM common shareholders.

[2] Adjusted net earnings per share is a non-IFRS ratio; refer to the section "Non-IFRS Financial Measures and Other Financial Measures" in 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			Twelve months ended	
	December 31, 2023	September 30, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Wealth Management [1][2]	104	118	108	443	448
Asset Management [1][2]	77	79	72	310	284
Corporate and Other [1][2]	18	13	45	68	135
Adjusted net earnings [3][4]	199	210	225	821	867
Adjustments [4][5]	221	–	–	328	–
Net earnings [3]	420	210	225	1,149	867

[1] In the fourth quarter of 2023, IGM realigned its reportable segments to better characterize and simplify its business lines into wealth management and asset management segments. The revised segments reflect a realignment of Rockefeller and Wealthsimple to the wealth management segment and ChinaAMC and Northleaf to the asset management segment. These changes have no impact on the reported earnings of IGM. The comparative information has been restated to reflect the realigned segments.

[2] 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.

[3] Available to IGM common shareholders.

[4] 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.

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

	Q4 2023 vs. Q4 2022 and Q3 2023	2023 vs. 2022
Net earnings	$420 million or $1.76 per share, compared with $225 million or $0.94 per share in the corresponding period in 2022, an increase of 87.2% on a per share basis, and $210 million or $0.88 per share in the third quarter of 2023.	$1,149 million or $4.82 per share, compared with $867 million or $3.63 per share in the corresponding period in 2022, an increase of 32.8% on a per share basis. Net earnings in 2023 include IGM's gain of $169 million recognized on the sale of a portion of its interest in Lifeco to the Corporation, and its gain of $221 million recognized on the sale of IPC to Lifeco. The Corporation has eliminated these gains on consolidation.
Adjusted net earnings	$199 million or $0.84 per share, compared with $225 million or $0.94 per share in the corresponding period in 2022, a decrease of 10.6% on a per share basis, and $210 million or $0.88 per share in the third quarter of 2023.	$821 million or $3.44 per share, compared with $867 million or $3.63 per share in the corresponding period in 2022, a decrease of 5.2% on a per share basis.

Adjusted net earnings exclude Adjustments of a net positive earnings impact of $328 million in the twelve-month period ended December 31, 2023, including a positive earnings impact of $221 million in the fourth quarter. There were no Adjustments in the corresponding twelve-month period of 2022. These Adjustments are not allocated to segments. The following is a summary of each segment's net earnings and adjusted net earnings:

WEALTH MANAGEMENT

Net earnings decreased by $4 million to $104 million in the three-month period ended December 31, 2023, compared with the corresponding quarter in 2022. Net earnings of Wealth Management includes $4 million of net earnings of IPC, which IGM has presented as discontinued operations, as well as a negative contribution from strategic investments of $1 million. The decrease in net earnings is mainly related to a decrease in net earnings of IG Wealth Management of $3 million, primarily due to:

- A decrease in other financial planning revenues of $6 million to $26 million, primarily due to lower earnings from mortgage banking operations and lower revenues from the distribution of banking products partially offset by higher revenues from the distribution of insurance products. The decrease in earnings from mortgage banking operations is due to fair value adjustments and net margins caused by the current interest rate environment;
- An increase in advisory and business development expenses of $15 million to $232 million in the three-month period which includes compensation paid to advisors, the majority of which varies directly with asset or sales levels. Asset-based compensation increased by $5 million to $146 million, primarily due to increases in assets under advisement, deferred selling commission units maturing and other compensation changes. 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 $24 million. Other advisory and business development expenses increased by $6 million to $63 million in the three-month period, primarily due to higher compensation paid on the distribution of insurance products and timing of certain projects and other expenses;
- An increase in operations and support expenses of $7 million to $116 million, which includes costs that support 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. The increase in the three-month period was due to the timing of projects and other expenses;
- An increase in sub-advisory expenses of $2 million to $43 million, primarily due to changes in assets under management; and
- An increase in interest expense of $3 million to $26 million, which includes allocated interest expense on long-term debt and interest expense on leases. Long-term debt interest expense is calculated based on an allocation of IGM's long-term debt to IG Wealth Management. The allocation of debt increased during the second quarter of 2023, as a result of the issuance of long-term debt by IGM.

Partially offset by:

- An increase in income from advisory fees of $18 million to $301 million, primarily due to the increase in average assets under advisement of 6.8%, partially offset by a decrease in the advisory fee rate. The average advisory fee rate for the three-month period was 102.1 basis points of average assets under advisement, compared with 102.4 basis points in 2022;
- An increase in income from product and program fees of $9 million to $224 million, primarily due to the increase in average assets under management of 5.0%. The average product and program fee rate for the three-month period was 85.5 basis points of assets under management, compared with 85.9 basis points in 2022; and
- An increase in net investment income and other of $2 million to $4 million. Net investment income and other consists of unrealized gains or losses on investments in proprietary funds in the three-month period, 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 Corporate and Other segment for the use of unallocated capital.

Net earnings decreased by $5 million to $443 million in the twelve-month period ended December 31, 2023, compared with the corresponding period in 2022. Net earnings of Wealth Management includes $15 million of net earnings of IPC, which IGM has presented as discontinued operations, compared with $11 million in the corresponding period in 2022. As well, the segment includes a negative contribution from strategic investments of $4 million. The net earnings of IG Wealth Management decreased by $5 million to $432 million, primarily due to:

- A decrease in other financial planning revenues of $14 million to $126 million, primarily due to the same reason explained in the three-month period above;
- A decrease in income from redemption fees of $3 million to $1 million;
- An increase in advisory and business development expenses of $40 million to $923 million in the twelve-month period. Asset-based compensation increased by $26 million to $584 million, primarily due to the same reason explained in the three-month period above. Sales-based compensation increased by $16 million to $92 million;
- An increase in operations and support expenses of $14 million to $438 million;
- An increase in sub-advisory expenses of $3 million to $172 million, primarily due to the same reason explained in the three-month period above; and
- An increase in interest expense of $9 million to $98 million, due to the same reason explained in the three-month period above.

Partially offset by:

- An increase in income from advisory fees of $48 million to $1,189 million, primarily due to the increase in average assets under advisement of 4.4%. The average advisory fee rate for the twelve-month period was 102.3 basis points of average assets under advisement, compared with 102.5 basis points in 2022;
- An increase in income from product and program fees of $15 million to $891 million, primarily due to an increase in average assets under management of 2.2%. The average product and program fee rate for the twelve-month period was 85.7 basis points of assets under management, compared with 85.9 basis points in 2022;
- An increase in net investment income and other of $11 million to $13 million; and
- A decrease in income taxes of $4 million to $156 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 increased by $5 million to $77 million in the three-month period ended December 31, 2023, compared with the corresponding quarter in 2022. Net earnings of Asset Management includes a positive contribution of $27 million from strategic investments, compared with $21 million in the corresponding quarter in 2022. The net earnings of Mackenzie decreased by $2 million to $49 million, primarily due to:

- A decrease in net investment income and other of $2 million to $4 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; and
- Net asset management fees, which is asset management fees offset by dealer compensation expenses, were $184 million, comparable with the corresponding quarter in 2022. Net asset management fees – third party were $156 million, a decrease of $1 million compared with the corresponding quarter in 2022 due to a decrease in the net asset management fee rate, partially offset by a 1.3% increase in average assets under management. Mackenzie's net asset management fee rate was 54.2 basis points for the three months ended December 31, 2023, compared with 55.1 basis points in 2022. The decrease in rate was mainly driven by a change in the composition of assets under management. Asset management fees – Wealth Management were $28 million, an increase of $1 million from the corresponding quarter in 2022.

Net earnings increased by $26 million to $310 million in the twelve-month period ended December 31, 2023, compared with the corresponding period in 2022. Net earnings of Asset Management includes a positive contribution of $106 million from strategic investments, compared with $71 million in the corresponding period in 2022 and reflects IGM's purchase of an additional 13.9% equity interest in ChinaAMC in January 2023. The net earnings of Mackenzie decreased by $9 million to $204 million, primarily due to:

- A decrease in net asset management fees, which is asset management fees offset by dealer compensation expenses, of $10 million to $740 million, mainly due to a decrease in net asset management fees – third party of $12 million, due to a 2.0% 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 54.4 basis points for the twelve months ended December 31, 2023, compared with 54.2 basis points in 2022. The increase in rate was mainly driven by lower selling commissions, partially offset by a change in the composition of assets under management. Asset management fees – Wealth Management were $114 million, an increase of $2 million from the corresponding period in 2022. The increase in management fees was due to an increase in the management fee rate. Mackenzie's management fee rate was 14.9 basis points for the twelve months ended December 31, 2023, compared with 14.7 basis points in 2022; and
- An increase in expenses of $6 million to $448 million, primarily due to an increase in advisory and business development expenses of $4 million to $84 million in the twelve-month period. Advisory and business development expenses primarily include wholesale distribution activities which vary directly with assets or sales levels. Operations and support expenses were $360 million, an increase of $2 million from the corresponding period in 2022 and 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 $6 million to $12 million; and
- A decrease in income taxes of $2 million to $74 million.

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 an additional 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 (AUM&A) were as follows:

(In billions of dollars)	December 31, 2023	September 30, 2023	December 31, 2022	September 30, 2022
Wealth Management [1]				
IG Wealth Management AUM	107.6	101.9	99.3	95.4
IG Wealth Management other AUA	13.6	12.3	11.5	9.6
Assets under advisement	121.2	114.2	110.8	105.0
Asset Management				
Third-party AUM	118.9	112.0	113.1	108.7
Sub-advisory and AUM to Wealth Management	76.8	74.3	73.5	71.8
Assets under management	195.7	186.3	186.6	180.5
Consolidated [1][2]				
Assets under management	226.6	215.2	213.6	205.3
Assets under management and advisement [3]	240.2	227.4	224.2	214.1

[1] Excludes AUM and AUM&A of IPC, as reported as discontinued operations by IGM; comparative information presented has been restated to exclude IPC.

[2] Represents the consolidated AUM&A 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.

[3] 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:

				2023				2022
(In billions of dollars)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Wealth Management [1]								
IG Wealth Management AUA	117.1	116.9	116.1	114.7	109.6	108.5	110.7	116.3
IG Wealth Management AUM	104.2	104.7	104.2	103.3	99.2	99.1	101.8	107.4
Asset Management								
Third-party AUM	114.1	115.5	116.3	115.7	112.7	113.4	118.5	125.7
Total AUM	189.3	191.9	193.1	192.0	186.3	187.3	195.5	205.5
Consolidated [1][2]								
Assets under management	219.2	221.5	221.8	220.2	213.1	213.8	221.4	234.2
Assets under management and advisement [3]	232.1	233.7	233.6	231.6	222.6	222.4	229.4	242.1

[1] Excludes AUM and AUM&A of IPC, as reported as discontinued operations by IGM; comparative information presented has been restated to exclude IPC.

[2] Represents the consolidated AUM&A 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.

[3] 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 2023, Adjustments with a positive earnings impact of $328 million after tax consisted of:

- In the fourth quarter of 2023, adjusted net earnings excluded a positive impact of $221 million after tax ($221 million pre-tax) related to IGM's net gain, net of transaction costs, recognized on the sale of IPC to Lifeco. The Corporation has not included the amount of the gain on the sale of IPC in its Adjustments as this gain was eliminated on consolidation.
- In the second quarter of 2023, adjusted net earnings excluded a negative impact of $68 million after tax ($95 million pre-tax), comprised of:
  - Restructuring and other charges of $76 million after tax ($103 million pre-tax), related to further streamlining and simplifying IGM's operating model to better align with its business priorities. The initiatives include: i) organizational structure changes including aligning IGM's organizational structure to advance the growing needs of its business and deliver against its key strategic initiatives. It also includes optimizing IGM's resources and talent structure to advance the growing needs of the business, enable partnerships across its business and operate more efficiently and effectively; ii) digital transformation to retire duplicate systems and to automate and modernize its technology infrastructure to enhance efficiencies and its ability to service client needs; and iii) real estate consolidation of IG Wealth's footprint to reflect the adoption of hybrid work and new technologies.
  - A decrease of $6 million after tax ($6 million pre-tax) recorded on a prospective basis related to the gain recognized by IGM in the first quarter on the 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.
  - An adjustment related to Lifeco's IFRS 17 impact of $15 million after tax ($15 million pre-tax), representing a change in estimate which IGM recorded on a prospective basis. This adjustment has been eliminated by the Corporation on consolidation in the effect of consolidation.
- In the first quarter of 2023, adjusted net earnings excluded 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 2022.

The information above has been derived from IGM's annual MD&A; see Part C of this MD&A for additional information on IGM's annual results. IGM's most recent annual MD&A is available under its profile on SEDAR+ (www.sedarplus.com).

GBL

OVERVIEW OF THE BUSINESS

GBL 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 considers ESG factors as being inextricably linked to value creation. GBL aims to grow its diversified high-quality portfolio of listed, private and alternative investments. GBL Capital, the group's alternative assets activity, provides additional sources of diversification to GBL's portfolio. 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 December 31, 2023, GBL's portfolio was mainly comprised of the following investments (% equity ownership):

PUBLICLY LISTED

- Imerys (EPA: NK) (54.6%) – industrial mineral-based specialty solutions
- SGS (SIX: SGSN) (19.3%) – testing, inspection and certification solutions
- Pernod Ricard (EPA: RI) (6.7%) – wines and spirits
- adidas (XETR: ADS) (7.6%) – design, development and distribution of sporting goods
- Umicore (EBR: UMI) (15.9%) – automotive catalysts, cathode materials for batteries and precious metals recycling
- Concentrix + Webhelp (NASDAQ: CNXC) (13.2%) – global provider of customer experience (CX) services and technologies
- Ontex (EBR: ONTEX) (19.98%) – provider of personal hygiene solutions

PRIVATELY HELD

- Affidea (99.2%) – provider of specialist healthcare services
- Sanoptis (83.4%) – provider of ophthalmology services
- Canyon (48.7%) – direct-to-consumer manufacturer of premium bicycles
- Parques Reunidos (23.0%) – operator of leisure parks
- Voodoo (15.9%) – developer and publisher of mobile games

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 co-investments in private equity, and offers a full range of investment strategies with a strong ESG focus through its multi-expertise third-party asset managers. Strategies managed by Sienna Investment Managers include listed assets, private equity, private credit, venture capital and real estate.

GBL reported a net asset value (refer to the section "Other Measures") at December 31, 2023 of €16,671 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 2023 year-end press release. Further information on GBL's results is available on its website (www.gbl.com).

RESULTS

Contribution to Power Corporation

	Three months ended			Twelve months ended	
	December 31, 2023	September 30, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Average direct ownership (%) [1]	15.5	15.5	14.9	15.3	14.8
Contribution to net earnings from continuing operations	(1)	315	48	423	(15)
Total dividend received [2]				92	84
Contribution to holding company balance sheets					
Investment in GBL, carrying value				3,717	3,314
% of total holding company assets				13.8	12.5
Investment in GBL, fair value				2,295	2,388
% of total holding company assets, at fair value				5.7	7.1

[1] Average direct ownership presented does not consider the effect of the treasury shares held by GBL. The average economic ownership including the effect of treasury shares was 16.9% for the twelve-month period ended December 31, 2023 (15.9% in 2022).

[2] Total dividend received from Parjointco was €63 million for the year ended December 31, 2023, compared with €62 million for the year ended December 31, 2022.

Reconciliation of contribution to net earnings of Power Corporation

(in millions of Canadian dollars)	Three months ended December 31, 2023	September 30, 2023	December 31, 2022	Twelve months ended December 31, 2023	December 31, 2022
Contribution to Power Corporation's net earnings:					
As reported by GBL	(1)	315	(24)	423	(133)
Effect of consolidation [1]	–	–	72	–	118
Net earnings (loss)	(1)	315	48	423	(15)

[1] 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

(in millions of euros)	Three months ended December 31, 2023	September 30, 2023	December 31, 2022	Twelve months ended December 31, 2023	December 31, 2022
Share of earnings (loss) of associates and consolidated operating companies of:					
Imerys	(73)	21	24	28	130
Webhelp	–	5	12	14	26
Parques Reunidos/Piolin II	(23)	33	(22)	(22)	1
Canyon	(6)	1	(3)	(6)	11
Sanoptis	(15)	(31)	(6)	(47)	(21)
Affidea	(9)	(18)	7	(42)	(30)
GBL Capital and Sienna Investment Managers	34	6	–	48	(12)
	(92)	17	12	(27)	105
Net dividends from investments:					
SGS	–	–	–	118	110
Pernod Ricard	46	–	51	81	82
Holcim	–	–	–	34	28
Umicore	–	9	–	31	31
GEA	–	–	–	10	10
adidas	–	–	–	8	39
MOWI	–	–	3	1	19
Other [1]	2	1	–	3	3
	48	10	54	286	322
Other financial income (expenses)					
Derivatives associated with exchangeable and convertible bonds	(10)	36	(32)	61	98
Change in value of liability to Webhelp's minority shareholders	–	(37)	(59)	107	(255)
Other financial income (expenses)	76	34	(8)	252	(459)
	66	33	(99)	420	(616)
Other operating income (expenses)					
Change in value of liability for Webhelp's employee incentive plan	–	(36)	(22)	(112)	(159)
Other operating income (expenses)	(39)	(28)	(35)	(121)	(114)
	(39)	(64)	(57)	(233)	(273)
Gains (losses) from disposals, impairments and reversals of non-current assets	14	1,292	(15)	1,308	(87)
Interest income (expenses)	1	(12)	(9)	(30)	(34)
Taxes	(1)	–	2	(1)	(2)
Net earnings (loss) [2][3]	(3)	1,276	(112)	1,723	(585)

[1] Includes dividend from Concentrix.

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

[3] Attributable to GBL shareholders.

Q4 2023 vs. Q4 2022 and Q3 2023	2023 vs. 2022
Net earnings (loss)	
Net loss of €3 million, compared with a net loss of €112 million in the corresponding period in 2022, and net earnings of €1,276 million in the third quarter of 2023.	Net earnings of €1,723 million, compared with a net loss of €585 million in the corresponding period in 2022. GBL's net earnings in the third quarter of 2023 included a gain recognized on the deconsolidation of Webhelp of €1.3 billion, including the reversal of the liability to Webhelp's minority shareholders.

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 co-investments in private equity 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:

	Period ended December 31, 2022	
(in millions of Canadian dollars)	Three months	Twelve months
Partial disposal of interest in Pernod Ricard [1]	67	67
Partial disposal of interest in MOWI [2]	–	22
Impairment charges on listed investments [3]	–	(7)
Impairment charges on investments in alternative funds and direct co-investments in private equity [4]	–	(107)
Disposal of alternative funds and other [5]	3	38
Reversal of unrealized losses on alternative funds and other [6]	2	105
Total	72	118

[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] During the second quarter of 2022, a portion of the investment in MOWI was disposed of, resulting in a gain. The gain was not reflected in GBL's earnings as the investment was classified as FVOCI. Power Corporation's share was $22 million.

[3] 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 and third quarters of 2022, the share price decreased to €6.63 and €5.52, respectively, resulting in an impairment charge. The Corporation's share was $1 million in the first quarter and $4 million in the third quarter.

During the second quarter of 2022, the Corporation's share of an impairment charge on other investments was $2 million.

[4] GBL classifies investments in alternative funds and direct co-investments in private equity at FVPL in accordance with IFRS 9, and recognizes unrealized changes in fair value in earnings. Power Corporation classified these investments as available for sale in accordance with IAS 39. During the second and third quarters of 2022, the value of certain private equity investments, primarily in GBL's digital portfolio, was reduced below their cost resulting in impairment charges. The Corporation's share of the impairment charges was $84 million in the second quarter and $23 million in the third quarter of 2022.

[5] During 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 $38 million, including $3 million recognized in the fourth quarter of 2022.

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

For the three-month period ended December 31, 2023, the net loss was €3 million, compared with a net loss of €112 million in the corresponding quarter in 2022. The decrease in the net loss was mainly due to:

- An increase in other financial income of €165 million to income of €66 million in the three-month period ended December 31, 2023, compared with financial expenses of €99 million in the corresponding quarter in 2022. Other financial income in the fourth quarter of 2023 includes:
  - A loss of €10 million on marking to market derivatives, compared with a loss of €32 million in the corresponding period in 2022;
  - A net increase in the fair value of GBL Capital's investments in alternative funds and direct co-investments in private equity classified as FVPL, of €62 million, compared with a net decrease in fair value of €9 million in the corresponding quarter in 2022.
- An increase in the contribution from investments consolidated or accounted for using the equity method by GBL Capital and Sienna Investment Managers of €34 million to a contribution to GBL's earnings of €34 million, compared with a contribution of nil for the three-month period of 2022;
- An increase in the contribution from gains (losses) from disposals, impairments and reversals of non-current assets of €29 million to a contribution to GBL of €14 million, compared with a contribution of negative €15 million in the corresponding quarter in 2022. In the three-month period ended December 31, 2022, GBL recognized an impairment charge on the goodwill of Sienna Real Estate; and
- A decrease in other operating expenses of €18 million to €39 million.

Partially offset by:

- A decrease in the contribution from Imerys to GBL's earnings of €97 million to a contribution to GBL of negative €73 million, compared with a contribution of €24 million for the corresponding quarter in 2022. The contribution in 2023 includes GBL's share of an impairment charge of €96 million recognized by Imerys on its assets serving the paper market reflecting current market conditions and recent expressions of interest received on this group of assets;
- A decrease in the contribution from Affidea to GBL's earnings of €16 million to a contribution to GBL of negative €9 million, compared with a contribution of €7 million for the corresponding quarter in 2022;
- A decrease in the contribution from Sanoptis to GBL's earnings of €9 million to a contribution to GBL of negative €15 million, compared with a negative contribution of €6 million for the corresponding quarter in 2022;
- A decrease in the contribution from Canyon to GBL's earnings of €3 million to a contribution to GBL of negative €6 million, compared with a contribution of negative €3 million for the corresponding quarter in 2022;
- A decrease in the contribution from Webhelp of €12 million as it was deconsolidated in the third quarter of 2023 following the closing of the transaction with Concentrix; and
- A decrease in dividends of €6 million to €48 million, mainly due to a decrease in the dividends received from Pernod Ricard and MOWI. The decrease in the dividend received from MOWI was due to a decrease in GBL's interest.

For the twelve-month period ended December 31, 2023, net earnings were €1,723 million, compared with a net loss of €585 million in the corresponding period in 2022. The increase in net earnings was mainly due to:

- An increase in the contribution from gains (losses) from disposals, impairments and reversals of non-current assets of €1,395 million to a contribution to GBL of €1,308 million, compared with a net loss of €87 million in the corresponding period in 2022. In the twelve-month period ended December 31, 2023, GBL recognized a gain of €1.3 billion on the deconsolidation of Webhelp following the closing of the transaction with Concentrix on September 25, 2023. The gain on deconsolidation of Webhelp includes the reversal of the liability to Webhelp's minority shareholders, which was extinguished on closing of the transaction. In the twelve-month period ended December 31, 2022, GBL recognized an impairment on an investment held by GBL Capital of €103 million, partially offset by a net gain recognized on the sale of one investment held by GBL Capital, as well as the impairment charge as discussed in the three-month period above;
- An increase in other financial income of €1,036 million to income of €420 million in the twelve-month period ended December 31, 2023, compared with financial expenses of €616 million in the corresponding period in 2022. Other financial income includes:
  - A gain of €61 million on marking to market derivatives associated with exchangeable bonds of GEA and Pernod Ricard and convertible bonds issued by GBL, compared with a gain of €98 million in the corresponding period in 2022;
  - A positive impact of €107 million related to the decrease in the liability to Webhelp's minority shareholders, including the effect of discounting, which was remeasured until its cancellation following the closing of the transaction with Concentrix, compared with a negative impact of €255 million related to the increase in the liability to Webhelp's minority shareholders in the corresponding period in 2022; and
  - A net increase in the fair value of GBL Capital's investments in alternative funds and direct co-investments in private equity classified as FVPL, of €188 million in the twelve-month period ended December 31, 2023, compared with a net decrease in fair value of €487 million in the corresponding period in 2022.

- An increase in the contribution from investments consolidated or accounted for using the equity method by GBL Capital and Sienna Investment Managers of €60 million to a positive contribution to GBL's earnings of €48 million, compared with a negative contribution of €12 million for the twelve-month period of 2022; and
- A decrease in other operating expenses of €40 million to €233 million. The increase in liabilities recorded for Webhelp's employee incentive plan was €112 million in the twelve-month period, including the effect of discounting and vesting, which was remeasured until its cancellation following the closing of the transaction with Concentrix, compared with an increase in liabilities of €159 million in the corresponding period in 2022.

Partially offset by:

- A decrease in the contribution from Imerys to GBL's earnings of €102 million to a contribution to GBL's earnings of €28 million, compared with a contribution of €130 million for the twelve-month period of 2022 as discussed in the three-month period above;
- A decrease in dividends of €36 million to €286 million, mainly due to a decrease in the dividend received from adidas and MOWI, partially offset by an increase in dividends received from SGS and Holcim;
- An increase in the negative contribution from Sanoptis to GBL's earnings of €26 million to a negative contribution to GBL's earnings of €47 million, compared with a negative contribution of €21 million for the twelve-month period of 2022. Sanoptis was acquired during the third quarter of 2022 and the costs incurred in 2022 were mainly acquisition-related;
- A decrease in the contribution from Piolin II S.à.r.l. to GBL's earnings of €23 million to a negative contribution to GBL of €22 million, compared with a positive contribution of €1 million for the twelve-month period of 2022;
- A decrease in the contribution from Canyon to GBL's earnings of €17 million to a negative contribution to GBL of €6 million, compared with a positive contribution of €11 million for the twelve-month period of 2022;
- An increase in the negative contribution from Affidea to GBL's earnings of €12 million to a negative contribution to GBL's earnings of €42 million, compared with a negative contribution of €30 million for the twelve-month period of 2022. Affidea was acquired during the third quarter of 2022 and the costs incurred in 2022 were mainly acquisition-related; and
- A decrease in the contribution from Webhelp of €12 million to a contribution to GBL's earnings of €14 million, for the same reasons discussed in the three-month period above.

Average Exchange Rates

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

	Three months ended			Twelve months ended		
	December 31, 2023	December 31, 2022	Change %	December 31, 2023	December 31, 2022	Change %
Euro/CAD	1.4660	1.3862	5.8	1.4597	1.3696	6.6

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

OTHER COMPONENTS OF EARNINGS

Sagard and Power Sustainable

The Corporation, through its alternative asset investment platforms, Sagard and Power Sustainable, 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 as well as the expansion of strategies and asset classes:

- Sagard is a multi-strategy alternative asset management firm with professionals principally located in Canada, the U.S., Europe and the Middle East. Sagard has active strategies 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 sustainably led global alternative asset manager with offices in Canada, China, and the U.S. Power Sustainable aims to create long-term value by actively investing in entrepreneurial management teams, companies and projects with sustainable business models. Power Sustainable is currently comprised of four strategies: Power Sustainable China, Power Sustainable Energy Infrastructure, Power Sustainable Lios and Power Sustainable Infrastructure Credit.

Sagard and Power Sustainable comprise the results of the investment platforms, which include income earned from 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.

CONTRIBUTION TO POWER CORPORATION

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

	Three months ended			Twelve months ended	
	December 31, 2023	September 30, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Contribution to Power Corporation's:					
Adjusted net earnings (loss)					
Asset management activities					
Sagard	4	(6)	(10)	(25)	(68)
Power Sustainable	(16)	(15)	3	(52)	(15)
Investing activities (proprietary capital)					
Sagard	17	2	(13)	36	26
Power Sustainable	(70)	8	(163)	(120)	(308)
	(65)	(11)	(183)	(161)	(365)
Adjustments					
Power Sustainable	–	–	–	–	(10)
Net earnings (loss)	(65)	(11)	(183)	(161)	(375)

The following sections discuss the overview and results of the asset management and investing activities of the investment platforms.

ASSET MANAGEMENT ACTIVITIES

Overview of the businesses

SAGARD

At December 31, 2023, Sagard had $21.3 billion (US$16.1 billion) of assets under management ($19.0 billion (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 $1.5 billion through its private wealth investment platform ($1.3 billion at December 31, 2022).

Sagard manages assets within funds, separately managed accounts and co-investment vehicles. The composition of the assets under management by strategy is as follows:

(In billions of dollars)	December 31, 2023	December 31, 2022
Venture Capital & Growth [1]	3.8	2.8
Private Equity	4.2	3.6
Private Credit	3.4	2.9
Royalties	1.7	1.2
Real Estate	6.7	7.2
Other [2]	1.5	1.3
Assets under management	21.3	19.0
Power Corporation	*1.6*	*1.2*
Third parties and associated companies [3]	*19.7*	*17.8*
Fee-bearing capital [1][4][5]	14.0	12.8
Power Corporation	*1.0*	*0.7*
Third parties and associated companies [3]	*13.0*	*12.1*

[1] Includes inter-fund eliminations of Portage Ventures I and Portage Ventures II interests in the Diagram Funds within the Venture Capital & Growth asset class at December 31, 2023.

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

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

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

[5] Excludes the fee bearing capital of Sagard's private wealth investment platform of $1.4 billion at December 31, 2023 ($1.3 billion at December 31, 2022).

Sagard's weighted average management fee rate (refer to the section "Other Measures") was 1.19% for the three-month period ended December 31, 2023, compared with 1.36% in the corresponding quarter in 2022.

Sagard's weighted average management fee rate was 1.26% for the twelve-month period ended December 31, 2023, compared with 1.32% in the corresponding period in 2022.

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

December 31, 2023				Interest held			Manager compensation		
(in millions; except as otherwise noted)	Currency	Vintage	Capital commitments	Power Corporation	Associated companies [1]	Third parties	Fees [2]		Carried interest [2]
			($)	(%)	(%)	(%)	(%)		(%)
Venture Capital & Growth									
Portage Ventures I [3][4]	C$	2016	466	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
Portage Capital Solutions [6]	US$	2022	381	39.4	34.8	25.8	2.00	Committed capital	20.0
Diagram Funds [7]	C$	2016 -2023	370	19.2	19.5	61.3	1.00-2.50	Committed capital	nil-20.0
Private Equity									
Sagard Private Equity Canada	C$	2021	407	3.7	13.7	82.6	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][8]	€	2013	729	0.2	26.9	72.9	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 [9]	€	2020	313	6.0	23.8	70.2	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 [6]	US$	2022	338	–	15.1	84.9	1.25	Invested capital	15.0
Royalties									
Sagard Healthcare Partners [6][10]	US$	2019	1,026	10.3	0.5	89.2	1.50-1.75	Committed capital	20.0
Real Estate									
USPF [11]	US$	2002	953	1.7	21.2	77.1	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, up to US$143 million in Portage Capital Solutions, $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$202 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 $27 million and $262 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] Fundraising activities continue for Portage Capital Solutions, Sagard Senior Lending Partners, Sagard Healthcare Partners and USPF.

[7] The Diagram Funds include Diagram Ventures I, Diagram Ventures II, Diagram Ventures III, Diagram Opportunity and Diagram ClimateTech. Total capital commitments includes amounts committed by Portage Ventures I and Portage Ventures II. Associated companies includes commitments from management as well as commitments from Portage Ventures I ($10 million in Diagram Ventures I) and Portage Ventures II ($10 million in Diagram Ventures I and $35 million in Diagram Ventures II). Diagram Ventures I and II do not have performance fees.

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

[9] During the second quarter of 2023, the Corporation completed the sale of €42 million of its original €60 million commitment (or a 13.5% limited partner (LP) interest) in Sagard NewGen through secondary transactions. The Corporation and Sagard have retained a LP interest of 6.0% at December 31, 2023.

[10] Represents Series I and II; the interest in the fund is based on invested capital as of December 31, 2023. During the third quarter of 2023, Sagard Healthcare Partners completed the first close of the second series raising total capital commitments of up to US$300 million. The investment period is completed for the first series which represents a total commitment of $726 million; base compensation changed from 1.75% on committed capital to 1.50% on invested capital.

[11] USPF is managed by Sagard Real Estate through a management service agreement. USPF is an open-end real estate fund and generally invests all committed capital; as such the capital commitments 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:

December 31, 2023 (in millions; except as otherwise noted)	Currency	Commitments Total funded	Unfunded	Unfunded	Distributions to date [1]	NAV [2]
		($)	($)	(%)	($)	($)
Venture Capital & Growth						
Portage Ventures I [3]	C$	466	–	–	621	1,176
Portage Ventures II	C$	401	26	6.1	55	789
Portage Ventures III	US$	260	395	60.4	–	272
Portage Capital Solutions	US$	87	294	77.1	–	80
Diagram Funds	C$	155	215	58.1	76	194
Private Equity						
Sagard Private Equity Canada	C$	98	309	75.9	–	88
Sagard MidCap II [4]	€	722	6	0.9	1,163	40
Sagard MidCap III	€	673	56	7.7	949	708
Sagard MidCap IV	€	567	248	30.4	–	653
Sagard NewGen [5]	€	206	159	50.7	61	209
Private Credit						
Sagard Credit Partners I [5]	US$	548	279	50.1	513	169
Sagard Credit Partners II [5]	US$	446	753	64.5	32	485
Sagard Senior Lending Partners	US$	81	257	75.9	–	60
Royalties						
Sagard Healthcare Partners [5]	US$	726	421	41.0	162	628

[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 $1.1 billion at December 31, 2023 ($0.9 billion at December 31, 2022).

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

[5] Total funded commitments represent the net cash funded for portfolio investments and fund expenses since inception, excluding amounts that have been recalled by the fund. The unfunded commitments of Sagard NewGen, Sagard Credit Partners I, Sagard Credit Partners II and Sagard Healthcare Partners includes amounts distributed of €52 million, US$270 million, US$32 million and US$121 million, respectively, which are recallable by the fund.

Venture Capital & Growth (fintech investments)

- Sagard's venture capital & growth asset class is managed under the Portage and Diagram platforms.

PORTAGE

- Portage has a mission to empower entrepreneurs reshaping financial services by partnering with ambitious companies across all stages through Portage Ventures and Portage Capital Solutions.
  - 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 100 fintech companies and investment funds.
  - Portage Capital Solutions is 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 US$50 million.

DIAGRAM

- Diagram is a venture builder that conceives and launches technology companies, primarily in the financial services (fintech) and climate tech spaces. Diagram has launched and invested in more than 20 companies.

Private Equity

- Sagard, under its private equity asset class, manages 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.
  - Sagard MidCap is a European private equity investment strategy which invests in middle-market business services, healthcare, food & consumer, and industrial sectors.
  - Sagard NewGen 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.

Private Credit

- Sagard, under the private credit asset class, manages 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 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.

Royalties

- Sagard Healthcare, a biopharmaceutical royalties investment strategy, invests in royalties and credit backed by approved and commercialized biopharmaceutical products, diagnostics and medical devices. 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.

Real Estate

- Sagard Real Estate (formerly EverWest) 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. Sagard Real Estate is headquartered in Denver, Colorado with regional offices throughout the United States.

  Sagard Real Estate offers a variety of investment strategies including separately managed accounts and funds.

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 $1.5 billion in assets under management at December 31, 2023 ($1.3 billion at December 31, 2022).

POWER SUSTAINABLE

At December 31, 2023, Power Sustainable had $4.5 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.

Power Sustainable manages assets within funds and separately managed accounts. The composition of assets under management is as follows:

(in millions of dollars)	December 31, 2023	December 31, 2022
Power Sustainable China	715	945
Power Sustainable Energy Infrastructure	2,748	2,340
Power Sustainable Infrastructure Credit	797	–
Power Sustainable Lios	221	157
Assets under management	4,481	3,442
Power Corporation	*1,605*	*1,626*
Third parties and associated companies [1]	*2,876*	*1,816*
Fee-bearing capital [2]	2,835	2,533
Power Corporation	*1,456*	*1,444*
Third parties and associated companies [1]	*1,379*	*1,089*

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

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

Power Sustainable's weighted average management fee rate was 1.0% for the three-month and twelve-month periods ended December 31, 2023, comparable with the corresponding periods in 2022.

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

December 31, 2023			Commitments		Interest held			
(in millions of dollars; except as otherwise noted)	Currency	Vintage	Capital commitments	Total funded	Power Corporation	Associated companies[1]	Third parties	NAV
			($)	($)	(%)	(%)	(%)	($)
Power Sustainable China [2]	C$	2005	715	n.a.	71.1	–	28.9	715
Power Sustainable Energy Infrastructure Partnership [3][4]	C$	2021	1,800	894	38.2	14.7	47.1	1,342
Power Sustainable Infrastructure Credit	US$	2023	600	59	–	100.0	–	61
Power Sustainable Lios [5]	C$	2022	234	57	–	18.5	81.5	44

[1] Associated companies includes commitments from management as well as commitments from Lifeco of $220 million in PSEIP, $40 million in Power Sustainable Lios and US$600 million in Power Sustainable Infrastructure Credit.

[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 December 31, 2023. Excludes direct investments in energy assets, which have a net asset value of $500 million. At December 31, 2023, PSEIP had distributed an amount of $80 million since inception.

[5] Fund commitments of up to $263 million, of which $234 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.

Power Sustainable China earns management fees ranging between 0.75% to 1.50% which are charged on the NAV 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

Power Sustainable Energy Infrastructure (Power Sustainable Energy) operates a leading North American-focused renewable energy platform with 2.2 GW of utility-scale and distributed energy assets, including assets under construction, and 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 170 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.

The Power Sustainable Energy Infrastructure platform actively manages investments through Power Sustainable Energy Infrastructure Partnership (PSEIP) and through direct investments in energy infrastructure.

The following table details the composition of the total megawatts of utility-scale and distributed energy assets managed:

(in megawatts (MW))	December 31, 2023	December 31, 2022
Advanced development	129	346
Under construction	410	546
Operating [1]	1,690	936
	2,229	1,828

[1] Includes projects in which PSEIP has a joint interest representing 312 MW at December 31, 2023 (42 MW at December 31, 2022).

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.

At December 31, 2023, the total assets on a consolidated basis of PSEIP and direct investments were $4.4 billion ($3.5 billion at December 31, 2022).

Power Sustainable Infrastructure Credit

Power Sustainable Infrastructure Credit, a global infrastructure credit platform launched in 2023, targets global investments in energy, transportation, social, digital and other sustainable infrastructure. The platform, based in Miami, targets sub-investment-grade infrastructure investments and seeks to support sustainable assets, portfolios and operating companies with tailored financing solutions.

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.

RESULTS – Asset Management 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.

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

	Three months ended			Twelve months ended	
	December 31, 2023	September 30, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Sagard					
Management fees [1]	43	42	45	175	158
Investment platform expenses	(47)	(44)	(50)	(184)	(162)
Fee-related earnings (loss) [2]	(4)	(2)	(5)	(9)	(4)
Net carried interest [3][4]	(1)	(1)	(6)	(6)	(62)
Other [2]	4	(1)	(1)	(13)	(5)
	(1)	(4)	(12)	(28)	(71)
Loss from private wealth platform and other asset management activities [5]	(1)	(2)	(1)	(6)	(9)
Non-controlling interests [6]	6	–	3	9	12
	4	(6)	(10)	(25)	(68)
Power Sustainable					
Management fees [1]	7	7	7	27	22
Investment platform expenses	(20)	(16)	(19)	(71)	(63)
Fee-related earnings (loss) [2]	(13)	(9)	(12)	(44)	(41)
Net performance fees and carried interest [3][7]	9	(3)	19	12	30
Other [2][8]	(12)	(3)	(4)	(20)	(4)
	(16)	(15)	3	(52)	(15)
Net earnings (loss)	(12)	(21)	(7)	(77)	(83)

[1] Includes management fees charged by the investment platform on proprietary capital. Management fees paid by the Corporation are deducted from income from investing activities. In the 2023, Sagard recognized a retroactive adjustment for management fees of $9 million, related to new capital committed in the fundraising close of Sagard NewGen and Portage Capital Solutions.

[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.

[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] Included a reversal of net carried interest of $55 million in 2022 mainly due to decreases in the fair value of Wealthsimple and investments held in Portage Ventures II 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] Includes net carried interest of $11 million as a result of the increase in the net asset value of PSEIP, of which $10 million was recognized in the fourth quarter ($17 million in the fourth quarter of 2022).

[8] Other includes customer acquisition, development and asset management activities provided by Potentia and Nautilus on behalf of PSEIP. The loss in 2023 is mainly due to expenses incurred related to customer acquisition costs, which were not recoverable from PSEIP.

INVESTING ACTIVITIES

Overview

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.

The Corporation holds investments managed by Sagard and Power Sustainable. The following table summarizes the investments held, by asset class, including the investments held through Power Financial:

	December 31, 2023			December 31, 2022		
(in millions of dollars)	Investments to date[1]	Distributions to date[1]	Fair value	Investments to date[1]	Distributions to date[1]	Fair value
Sagard						
Venture Capital & Growth[2]	359	274	611	249	234	491
Private Equity[3]	1,125	1,331	244	1,070	1,263	224
Private Credit	198	163	69	174	151	50
Royalties	146	71	85	101	47	57
Real Estate	32	1	30	24	–	27
Cash and other investments[4]	1	–	23	1	–	68
Power Sustainable						
Power Sustainable China[5][6]	417	372	508	387	340	666
Power Sustainable Energy Infrastructure						
PSEIP[7]	335	32	482	269	9	388
Direct investments[8]	1,144	514	500	978	500	391
Other investments	9	–	9	3	–	3

[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] During the second quarter of 2023, the Corporation completed the sale of a 13.5% LP interest in Sagard NewGen through secondary transactions. The Corporation received gross proceeds of $37 million (€25 million) and realized a gain of $2 million recorded in net earnings in the second quarter of 2023.

[4] Fair value includes $21 million of cash held within the Sagard investing activities at December 31, 2023 (cash and other assets of $66 million at December 31, 2022).

[5] The fair value of the investments at December 31, 2023 includes $98 million held in cash ($53 million at December 31, 2022 net of unsettled transactions).

[6] Investments to date includes $179 million invested in the Power Sustainable China platform since 2005 to fund expenses ($150 million at December 31, 2022). The increase in 2023 primarily relates to the funding of a performance fee payable and management fees.

[7] 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 each of the third quarters of 2022 and 2023.

[8] 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.

FINTECH INVESTMENTS

Fintech investments are comprised of the Corporation's investments, primarily held through Power Financial, in the Portage Ventures and Diagram funds and Wealthsimple. The Corporation's investments in the Portage Ventures and Diagram 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 December 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 56.6% (54.3% at December 31, 2022), representing a voting interest of 59.2% and a fully diluted equity interest of 43.4%. Wealthsimple, founded in 2014, is one of Canada's fastest-growing financial technology companies, and provides simple digital tools for growing and managing money.

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 December 31, 2023, Wealthsimple had 2.2 million clients, excluding tax filers, across the Canadian market with assets under administration of $31.0 billion, compared with $18.3 billion at December 31, 2022.

At December 31, 2023, the Power group had invested $340 million in Wealthsimple ($315 million at December 31, 2022), and had received total proceeds of $500 million from a secondary transaction in 2021.

The fair value of the Power group's interest in Wealthsimple was $1.1 billion at December 31, 2023 ($0.9 billion at December 31, 2022). The increase in fair value of the group's interest in the fourth quarter is mainly due to a 20% fair value increase, and includes an incremental investment during the period. The increase in fair value is consistent with the increase in public market peer valuations, as well as Wealthsimple's business performance and revised revenue expectations. The fair value of the Corporation's 15.8% equity interest in Wealthsimple, including its indirect interest held through Portage Ventures I, on a fully diluted basis, was $413 million at December 31, 2023 ($333 million at December 31, 2022).

RESULTS – Investing Activities

Investing activities comprises income earned on the capital invested by the Corporation (proprietary capital) in the investment funds managed by the investment platforms and the share of earnings (losses) of controlled and consolidated subsidiaries held within the investment platforms. The results of certain consolidated funds and controlled and consolidated subsidiaries included in investing activities are not aligned with the fair value changes of the Corporation's respective investment, due to the accounting treatment required for the underlying investments and activities.

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

Investment	Classification of Investments held by the fund	Measurement [1]
Portage Ventures I [2]	FVPL	Fair value
Portage Ventures II	FVPL	Fair value
Portage Ventures III	FVPL	Fair value
Portage Capital Solutions	FVPL	Fair value
Diagram Funds	FVPL	Fair value
Chinese Public Equities	FVOCI	Fair value

[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 FVPL.

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

The Corporation consolidates the activities of Power Sustainable Energy Infrastructure Partnership on a historical cost basis; therefore the increase in fair value of the Corporation's interest held in PSEIP is not recognized in earnings. However, the limited partner equity interests held by third parties which have redemption features, subject to certain restrictions, have been classified as a financial liability and are remeasured at their redemption value.

Income earned from investment activities (proprietary capital) is volatile in nature as it depends on many factors, including changes in fair value.

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

	Three months ended			Twelve months ended	
	December 31, 2023	September 30, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Adjusted net earnings (loss)					
Sagard					
Private equity and other strategies	30	2	(4)	58	36
Venture capital (fintech investments) [1]	(13)	–	(9)	(22)	(10)
	17	2	(13)	36	26
Power Sustainable					
Public equity [2]	(1)	2	(55)	–	(218)
Energy infrastructure [3][4]	(21)	4	(35)	(32)	(10)
	(22)	6	(90)	(32)	(228)
Revaluation of non-controlling interests liabilities [4][5]	(48)	2	(73)	(88)	(80)
	(70)	8	(163)	(120)	(308)
Adjustments					
Impairment charges on direct investments in energy infrastructure	–	–	–	–	(10)
Net earnings (loss)	(53)	10	(176)	(84)	(292)

[1] Includes the Corporation's share of earnings (losses) of Wealthsimple. The year 2022 included a reversal of carried interest payable of $38 million, mainly due to a decrease in the fair value of Wealthsimple and investments held in Portage Ventures II in the period. The net increase 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 $54 million in the twelve-month period ended December 31, 2023, compared with a net decrease of $430 million in fair value in the corresponding period in 2022.

[2] On adoption of IFRS 9 on January 1, 2023, the Corporation 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 $201 million, of which $55 million was in the fourth quarter, and $16 million in impairments due to declines in Chinese equity markets.

[3] Consists of the Corporation's share of earnings (losses) from direct investments in energy infrastructure and in the consolidated activities of PSEIP. Share of losses in 2023 includes unrealized gains on derivative contracts hedging energy infrastructure projects of $3 million, of which a loss of $11 million was recorded in the fourth quarter. The first and fourth quarters of 2023 included the Corporation's share of carried interest expense of $5 million and $7 million, respectively, which resulted from an increase in fair value of assets held in PSEIP, and operating losses. Share of earnings in 2022 included a gain on disposal of a portfolio of solar assets of $20 million, and unrealized gains on derivative contracts hedging energy infrastructure projects of $31 million, of which $7 million was recorded in the fourth quarter. As well, the first quarter of 2022 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] Comparative information has been restated in accordance with the current presentation.

[5] Consists of the Corporation's share of the revaluation of non-controlling interests liabilities which results from changes in fair value of assets held in PSEIP, and the share of earnings (losses) from the consolidated activities of PSEIP which are attributable to third-party investors. 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. The first and fourth quarters of 2023 included a charge of $33 million and $35 million, respectively, 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 ($71 million recognized in 2022, of which $63 million was recorded in the fourth quarter).

ADJUSTMENTS (EXCLUDED FROM ADJUSTED NET EARNINGS)

Power Sustainable

For the twelve-month period ended December 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

OVERVIEW

Other investments and standalone businesses includes the Corporation's investments held 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

- Peak: Sagard held a 42.6% equity interest and a 50% voting interest in Peak at December 31, 2023. Peak designs, develops and commercializes sports equipment and apparel for ice hockey and lacrosse under iconic brands including Bauer. Peak also holds a minority interest in Rawlings, a leading brand in baseball. The Corporation's investment is accounted for using the equity method. In the fourth quarter of 2023, Sagard received a return of capital of $24 million from Peak ($29 million in 2022).
- LMPG: Power Sustainable, through Power Sustainable Energy, held a controlling interest of 49.6% at December 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.
- Lion Electric (NYSE: LEV) (TSX: LEV): Power Sustainable, through Power Sustainable Energy, held a 34.1% equity interest at December 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. Lion designs, builds and assembles many of its vehicles' components, including chassis, battery packs, truck cabins and bus bodies.

  At December 31, 2023, Power Sustainable also held 9,842,519 warrants. The fair value of the warrants was $5 million at December 31, 2023 ($9 million at December 31, 2022).

RESULTS

Summary of other investments and standalone businesses:

	Three months ended			Twelve months ended	
	December 31, 2023	September 30, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Other investments					
Investment and hedge funds	2	8	15	5	23
Other [1]	7	24	5	159	25
Standalone businesses [2]	(21)	2	(102)	(16)	(68)
Net earnings	(12)	34	(82)	148	(20)

[1] Includes foreign exchange gains or losses and interest on cash and cash equivalents. In the second quarter of 2023, income earned from other investments includes a recovery of $97 million from the sale of the Corporation's investment in Bellus Health Inc., a Canada-based late-stage biopharmaceutical company. On June 28, 2023, Bellus completed a transaction in which it was acquired by GSK plc for US$14.75 per share in cash. The investment in Bellus was accounted for as an associate using the equity method, with a carrying value of nil.

[2] Includes the Corporation's share of earnings (losses) of Lion, LMPG, and Peak.

For the three-month period ended December 31, 2023, the net loss from other investments and standalone businesses was $12 million, compared with a net loss of $82 million in the corresponding quarter in 2022. Standalone businesses had a net loss of $21 million, compared with a net loss of $102 million in the corresponding quarter in 2022. The fourth quarter of 2023 includes a non-cash impairment charge of $7 million after tax ($8 million pre-tax) on the Corporation's investment in Lion, which reflects a decline in market value at December 31, 2023. The fourth quarter of 2022 included a non-cash impairment charge of $109 million after tax ($126 million pre-tax) on the Corporation's investment in Lion.

For the twelve-month period ended December 31, 2023, net earnings from other investments and standalone businesses were $148 million, compared with a net loss of $20 million in the corresponding period in 2022. Standalone businesses had a net loss of $16 million, compared with a net loss of $68 million in the corresponding period in 2022. The decrease in net loss of standalone businesses of $52 million was mainly due to a decrease in the negative contribution from Lion as discussed in the three-month period above.

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			Twelve months ended	
	December 31, 2023	September 30, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Operating expenses	42	41	33	153	139
Depreciation	1	1	2	6	6
Fair value change of TSARs, net of hedge [1]	(3)	8	(1)	14	(20)
Financing charges [2]	14	14	14	55	55
Income taxes	–	1	1	2	4
	54	65	49	230	184

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

[2] Financing charges related to Power Financial were $17 million in the twelve-month period ended December 31, 2023 ($18 million in 2022).

Adjustments (excluded from adjusted net earnings)

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

	Three months ended			Twelve months ended	
	December 31, 2023	September 30, 2023	December 31, 2022 (restated)	December 31, 2023	December 31, 2022 (restated)
Lifeco [1]					
Market experience relative to expectations	(145)	104	(257)	(209)	353
Assumption changes and management actions [2]	56	(72)	(4)	(14)	31
Realized OCI gains (losses) from asset rebalancing	–	–	–	(83)	–
Other non-market related impacts [2][3]	(66)	(42)	(16)	(243)	(178)
	(155)	(10)	(277)	(549)	206
Effect of consolidation [4]	(1)	–	–	(3)	1
	(156)	(10)	(277)	(552)	207
IGM [1]					
Gain on disposal of IPC	137	–	–	137	–
Gain on disposal of Lifeco shares	–	–	–	105	–
Restructuring charges	–	–	–	(47)	–
IFRS 17 adjustment (Lifeco)	–	–	–	9	–
	137	–	–	204	–
Effect of consolidation [4]	(151)	–	(12)	(275)	15
	(14)	–	(12)	(71)	15
Sagard and Power Sustainable					
Impairment charges on direct investments in energy infrastructure	–	–	–	–	(10)
ChinaAMC [5]					
Transaction costs on disposal of ChinaAMC	–	–	–	(14)	–
Income taxes on disposal of ChinaAMC	–	–	–	(40)	–
	–	–	–	(54)	–
	(170)	(10)	(289)	(677)	212

[1] As reported by Lifeco and IGM.

[2] Following internal reviews at Lifeco, the mapping of certain assumption changes and management actions and business transformation impacts has been modified to reflect current presentation and comparative results for the periods ended December 31, 2022 have been restated, as applicable.

[3] Includes business transformation impacts (including restructuring and integration costs as well as acquisition and divestiture costs), amortization of acquisition-related intangible assets and tax legislative changes impacts.

[4] 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, the gain recognized by IGM on the sale of IPC to Lifeco, as well as IGM's share of Lifeco's IFRS 17 adjustment; 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 from continuing operations; 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.

[5] 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 December 31, 2023 and 2022, which are included in Note 36 of the 2023 Consolidated Financial Statements.

December 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	7,742	545	1,218	639	(207)	9,937
Investments	217,868	5,260	107	2,017	110	225,362
Investments in publicly traded operating companies, investment platforms and other:						
Lifeco and IGM	387	589	19,028	–	(20,004)	–
GBL [2]	–	–	3,717	–	–	3,717
Other	446	712	2,499	–	(3,657)	–
Investments in jointly controlled corporations and associates	367	3,070	3	1,392	(397)	4,435
Insurance contract assets	1,193	–	–	–	–	1,193
Reinsurance contract held assets	17,332	–	–	–	–	17,332
Assets held for sale	4,467	–	–	–	–	4,467
Other assets	24,739	4,599	282	9,439	(300)	38,759
Intangible assets [3]	4,484	1,251	2	801	152	6,690
Goodwill [3]	11,249	2,637	–	549	195	14,630
Investments on account of segregated fund policyholders	422,956	–	–	–	–	422,956
Total assets	713,230	18,663	26,856	14,837	(24,108)	749,478
Liabilities						
Insurance contract liabilities	144,388	–	–	–	–	144,388
Investment contract liabilities	88,919	–	–	–	–	88,919
Reinsurance contract held liabilities	648	–	–	–	–	648
Liabilities held for sale	2,407	–	–	–	–	2,407
Obligations to securitization entities	–	4,688	–	–	–	4,688
Power Corporation's debentures and other debt instruments	–	–	647	–	–	647
Non-recourse debentures and other debt instruments [4]	9,046	2,400	250	3,017	(88)	14,625
Other liabilities	15,015	4,855	986	8,509	(430)	28,935
Insurance contracts on account of segregated fund policyholders	60,302	–	–	–	–	60,302
Investment contracts on account of segregated fund policyholders	362,654	–	–	–	–	362,654
Total liabilities	683,379	11,943	1,883	11,526	(518)	708,213
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	22,616	6,660	21,193	2,844	(32,120)	21,193
Non-controlling interests [5][6]	3,015	60	–	467	15,580	19,122
Total equity	29,851	6,720	24,973	3,311	(23,590)	41,265
Total liabilities and equity	713,230	18,663	26,856	14,837	(24,108)	749,478

[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 36 of the 2023 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, SHMI, 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 36 of the 2023 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, SHMI, and controlled and consolidated investments.

Consolidated assets and liabilities

Total assets of the Corporation increased to $749.5 billion at December 31, 2023, compared with $704.4 billion at December 31, 2022, primarily due to the impacts of equity market movement, partially offset by the impact of currency movements.

Liabilities increased to $708.2 billion at December 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 $9.0 billion, primarily due to market movements, partially offset by normal business movements.
- Investment contract liabilities decreased by $5.9 billion, primarily due to normal business movements, partially offset by investment experience.
- Investment and insurance contracts on account of segregated fund policyholders increased by $35.1 billion, primarily due to the combined impact of market value gains and investment income of $47.4 billion, partially offset by net withdrawals (net of policyholder deposits) of $8.5 billion, a $2.7 billion portfolio transfer of segregated funds related to AIB Life, and the negative impact of currency movement of $1.0 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. Refer to Part B of this MD&A for additional information.

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.

	December 31, 2023	December 31, 2022 (restated)
Holding company assets		
Cash and cash equivalents [1]	1,218	1,277
Investment in:		
Lifeco	15,326	14,579
IGM	3,702	3,607
GBL [2]	3,717	3,314
Alternative asset investment platforms [3]	1,861	1,848
ChinaAMC [4]	–	783
Other investments and standalone businesses	748	870
Other assets [5]	284	312
Total holding company assets	26,856	26,590
Holding company liabilities		
Debentures and other debt instruments [6]	897	897
Other liabilities	986	987
Total holding company liabilities	1,883	1,884
Holding company equity		
Perpetual preferred shares [7]	2,830	2,830
Non-participating shares	950	950
Participating shareholders' equity	21,193	20,926
Total holding company equity	24,973	24,706
Total holding company liabilities and equity	26,856	26,590

[1] Cash equivalents include $304 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 2023 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 "2023 Significant Developments and Transactions".

[5] Includes $83 million of dividends declared in the fourth quarter by IGM (same as at December 31, 2022) and received by Power Financial on January 31, 2024.

[6] Includes Power Financial's debentures of $250 million at December 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, 3 and 4	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
USPF	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 $1,218 million at December 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 within the investment activities of Sagard and Power Sustainable including Power Sustainable China amounted to $120 million at December 31, 2023 ($121 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 $22,745 million at December 31, 2023, compared with $21,500 million at December 31, 2022:

	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 Lifeco [3]	553	–	–	553
Contribution from adjusted net earnings	2,450	517	423	3,390
Contribution from adjustments	(552)	(71)	–	(623)
Contribution from discontinued operations – Putnam	(85)	(2)	–	(87)
Share of other comprehensive income (loss)	122	(50)	(25)	47
Dividends	(1,322)	(333)	(92)	(1,747)
Effect of changes in ownership and other [4]	(399)	35	97	(267)
Carrying value, at December 31, 2023	15,326	3,702	3,717	22,745

[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 "2023 Significant Developments and Transactions".

[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.

	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)	2,179	539	(15)	2,703
Contribution from adjustments	207	15	–	222
Contribution from discontinued operations – Putnam	(21)	–	–	(21)
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.

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	December 31, 2023	December 31, 2022
Asset management companies		
Sagard	108	60
Power Sustainable	–	33
Investing activities		
Sagard [1]	721	654
Power Sustainable	1,032	1,101
	1,861	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	December 31, 2023	December 31, 2022
Other investments [1]	107	192
Standalone businesses	641	678
	748	870

[1] Includes portfolio investments in private investment funds and a select number of hedge funds. These investments are classified as FVPL. At December 31, 2023, the Corporation had outstanding commitments to make future capital contributions to these funds for an aggregate amount of $32 million.

Income Taxes

The non-capital losses of the holding company, at December 31, 2023, were $1,315 million ($1,277 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 December 31, 2023, were $144 million ($50 million for which the benefits have not been recognized) and can be used indefinitely to offset capital gains.

In addition, at December 31, 2023, deductible temporary differences for which the benefits have not been recognized were $551 million.

Equity

NON-PARTICIPATING SHARES

Non-participating (preferred) shares of the Corporation consist of five series of First Preferred Shares with an aggregate share capital of $950 million at December 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.

The terms and conditions of the outstanding First Preferred Shares are described in Note 20 of the Corporation's 2023 Consolidated Financial Statements.

PARTICIPATING SHAREHOLDERS' EQUITY

Participating shareholders' equity was $21,193 million at December 31, 2023, compared with $20,926 million at December 31, 2022:

Twelve months ended December 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	(244)	(169)
Issuance of subordinate voting shares (1,273,542 shares in 2023 and 1,683,043 shares in 2022) under the Corporation's Executive Stock Option Plans	42	52
	(202)	(117)
Changes in retained earnings		
Net earnings before dividends on non-participating shares	2,247	2,247
Dividends declared	(1,439)	(1,378)
Purchase for cancellation of subordinate voting shares under NCIB	(339)	(246)
Reclassification of options as cash-settled share-based payments [2]	–	(54)
Realized gains on FVOCI equity instruments transferred to retained earnings	21	–
Effects of changes in capital and ownership of subsidiaries, and other	134	10
	624	579
Changes in reserves		
Other comprehensive income (loss)		
Foreign currency translation adjustments	(87)	361
Investment revaluation and cash flow hedges	178	(551)
Actuarial gains (losses) on defined benefit plans	(101)	425
Share of Parjointco and other jointly controlled corporations and associates	(160)	(885)
Share-based compensation, including the effect of changes in capital and ownership of subsidiaries	30	(18)
	(140)	(668)
Participating shareholders' equity, at December 31	21,193	20,926

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

[2] During the twelve months ended December 31, 2022, the Corporation attached tandem share appreciation rights to 13,621,606 options and reclassified the options as cash-settled share-based payments. See Note 21 to the 2023 Consolidated Financial Statements for additional information.

The book value per participating share (refer to the section "Other Measures") of the Corporation was $32.49 at December 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 2023 Consolidated Financial Statements for additional 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 595,182,900 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 23,293,904 subordinate voting shares of the Corporation, which includes 10,111,797 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 (11.2 million Subordinate Voting Shares for a total of $415 million in 2022 under the NCIB programs).

The Corporation commenced a new NCIB on March 1, 2023, which was 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 was authorized to 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 December 31, 2023, the Corporation had repurchased 16.1 million Subordinate Voting Shares for a total of $583 million.

SUBSEQUENT EVENT

On March 1, 2024, the Corporation commenced a NCIB which is effective until the earlier of February 28, 2025 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 25 million of its Subordinate Voting Shares outstanding (representing approximately 4.6% of the public float of Subordinate Voting Shares outstanding at February 16, 2024) at market prices. At March 20, 2024, the Corporation has repurchased 2.4 million Subordinate Voting Shares for a total of $94 million under the NCIB programs.

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. The ASPP has been effective since March 1, 2024, the commencement date of the NCIB.

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 $53.53 at December 31, 2023, compared with $41.91 at December 31, 2022, representing an increase of 27.7%. The Corporation's book value per participating share (refer to the section "Other Measures") was $32.49 at December 31, 2023, compared with $31.37 at December 31, 2022, representing an increase of 3.6%.

	December 31, 2023			December 31, 2022		
	Holding company balance sheet	Fair value adjustment	Adjusted net asset value	Holding company balance sheet	Fair value adjustment	Adjusted net asset value
Holding company assets				(restated)	(restated)	
Investments						
Power Financial						
Lifeco	15,326	12,545	27,871	14,579	4,835	19,414
IGM	3,702	1,477	5,179	3,607	1,985	5,592
GBL [1]	3,717	(1,422)	2,295	3,314	(926)	2,388
Alternative asset investment platforms						
Asset management companies [2]						
Sagard	108	157	265	60	–	60
Power Sustainable	–	–	–	33	–	33
Investing activities						
Sagard [3][4]	721	341	1,062	654	263	917
Power Sustainable	1,032	467	1,499	1,101	344	1,445
ChinaAMC	–	–	–	783	367	1,150
Other investments and standalone businesses						
Other investments	107	–	107	192	55	247
Standalone businesses [5]	641	159	800	678	151	829
Cash and cash equivalents	1,218	–	1,218	1,277	–	1,277
Other assets	284	–	284	312	–	312
Total holding company assets	26,856	13,724	40,580	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]	986	–	986	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	5,663	–	5,663	5,664	37	5,701
Net value						
Participating shareholders' equity (IFRS) / Adjusted net asset value (non-IFRS)	21,193	13,724	34,917	20,926	7,037	27,963
Per share	**32.49**		**53.53**	31.37		41.91

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

[2] The management company of Sagard is presented at its fair value at December 31, 2023 (carrying value at December 31, 2022). The management company of Power Sustainable is presented at its carrying value and was primarily composed of cash and performance fees receivable at December 31, 2022.

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

[4] Includes $21 million of cash held within the Sagard investing activities at December 31, 2023 (cash and other assets of $66 million at December 31, 2022).

[5] An additional deferred tax liability of $4 million has been included in the adjusted net asset value at December 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 92.2% of the total assets at fair value at December 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 $3,602 million or $5.52 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 twelve-month periods ended December 31, 2023 and 2022, which are included in Note 36 of the 2023 Consolidated Financial Statements. This presentation assists the reader in assessing the cash flows of the holding company.

Twelve months ended December 31						2023
	Lifeco	IGM	Holding company	Alternative Asset Investment Platforms and Other [1]	Effect of consolidation	Power Corporation Consolidated
Cash flows from:						
Operating activities [2]	5,203	837	1,488	(90)	(1,505)	5,933
Financing activities	(3,550)	(204)	(2,110)	1,657	1,404	(2,803)
Investing activities [2]	(786)	(1,161)	563	(1,418)	181	(2,621)
Effect of changes in exchange rates on cash and cash equivalents	(40)	–	–	(3)	(2)	(45)
Increase (decrease) in cash and cash equivalents	827	(528)	(59)	146	78	464
Cash and cash equivalents, beginning of the year	7,290	1,073	1,277	493	(285)	9,848
Cash and cash equivalents from continuing and discontinued operations, at December 31	8,117	545	1,218	639	(207)	10,312
Less: cash and cash equivalents from discontinued operations, at December 31 [3]	(375)	–	–	–	–	(375)
Cash and cash equivalents from continuing operations, at December 31	7,742	545	1,218	639	(207)	9,937

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

[2] The cash flows related to Lifeco's sales, maturities, repayments and purchases of portfolio investments have been reclassified to Operating activities to align with its practice of managing the matching of general fund assets with insurance and investment contract liabilities. This activity had previously been presented in Investing activities.

[3] On May 31, 2023, Lifeco entered into an agreement to sell Putnam to Franklin Templeton. The transaction closed on January 1, 2024. The cash flows related to the discontinued operations have been presented separately.

Twelve months ended December 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 [2]	3,772	738	1,473	(34)	(1,695)	4,254
Financing activities	(620)	(1,092)	(1,891)	1,146	1,509	(948)
Investing activities [2]	(2,218)	135	60	(1,392)	165	(3,250)
Effect of changes in exchange rates on cash and cash equivalents	281	–	–	14	(12)	283
Increase (decrease) in cash and cash equivalents	1,215	(219)	(358)	(266)	(33)	339
Cash and cash equivalents, beginning of the year	6,075	1,292	1,635	759	(252)	9,509
Cash and cash equivalents, at December 31	7,290	1,073	1,277	493	(285)	9,848

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

[2] The cash flows related to Lifeco's sales, maturities, repayments and purchases of portfolio investments have been reclassified to Operating activities to align with its practice of managing the matching of general fund assets with insurance and investment contract liabilities. This activity had previously been presented in Investing activities.

Consolidated cash and cash equivalents increased by $464 million in the twelve-month period ended December 31, 2023, compared with an increase of $339 million in the corresponding period in 2022.

Operating activities produced a net inflow of $5,933 million in the twelve-month period ended December 31, 2023, compared with a net inflow of $4,254 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 $2,803 million in the twelve-month period ended December 31, 2023, compared with a net outflow of $948 million in the corresponding period in 2022.

Cash flows from investing activities resulted in a net outflow of $2,621 million in the twelve-month period ended December 31, 2023, compared with a net outflow of $3,250 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.

Twelve months ended December 31	2023	2022
Operating activities of the holding company		
Dividends		
Lifeco	1,322	1,216
IGM	333	333
GBL	92	84
ChinaAMC	–	31
Corporate operations, net of non-cash items [1]	(259)	(191)
	1,488	1,473
Financing activities of the holding company		
Dividends paid on:		
Non-participating shares	(52)	(52)
Participating shares	(1,374)	(1,331)
Perpetual preferred shares	(138)	(134)
Issuance of subordinate voting shares	38	47
Repurchase of subordinate voting shares	(583)	(415)
Repurchase of non-participating shares	–	(4)
Other	(1)	(2)
	(2,110)	(1,891)
Investing activities of the holding company		
Distributions and proceeds from disposal of investments [2]	1,601	386
Purchase of additional interest in Lifeco	(553)	–
Purchase of investments	(483)	(365)
Other [3]	(2)	39
	563	60
Increase (decrease) in cash and cash equivalents	(59)	(358)
Cash and cash equivalents, at the beginning of the year	1,277	1,635
Cash and cash equivalents, at December 31	1,218	1,277

[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.

[3] Includes proceeds received from the sale of a property by the Corporation in 2022.

Cash and cash equivalents of the Corporation and Power Financial decreased by $59 million in the twelve-month period ended December 31, 2023, compared with a decrease of $358 million in the corresponding period in 2022.

Operating activities resulted in a net inflow of $1,488 million in the twelve-month period ended December 31, 2023, compared with a net inflow of $1,473 million in the corresponding period in 2022. Dividends received from the publicly traded operating companies include:

Twelve months ended	December 31, 2023		December 31, 2022	
(in millions of dollars; except as otherwise noted)	Dividend per share	Total dividend received	Dividend per share	Total dividend received
Lifeco	2.08	1,322	1.96	1,216
IGM	2.25	333	2.25	333

- Total dividend received from Parjointco was $92 million (€63 million) for the period ended December 31, 2023, compared with $84 million (€62 million) for the period ended December 31, 2022.
- On February 14, 2024, subsequent to year-end, Lifeco announced a 6.7% increase in the quarterly dividend on its common shares, from $0.520 per share to $0.555 per share, payable on March 28, 2024.

The Corporation's financing activities during the twelve-month period ended December 31, 2023 resulted in a net outflow of $2,110 million, compared with a net outflow of $1,891 million in the corresponding period in 2022, and included:

- Dividends paid on non-participating and participating shares by the Corporation of $1,426 million, compared with $1,383 million in the corresponding period in 2022. In the twelve-month period ended December 31, 2023, dividends paid on the Corporation's participating shares were $2.070 per share, compared with $1.980 in the corresponding period in 2022.
- Dividends paid on preferred shares by Power Financial of $138 million, compared with $134 million in the corresponding period in 2022.
- Issuance of subordinate voting shares of the Corporation for $38 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 $47 million in the corresponding period in 2022.
- Repurchase of subordinate voting shares of $583 million, as part of the NCIB, in the twelve-month period ended December 31, 2023, compared with repurchase for an amount of $415 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 twelve-month period ended December 31, 2023 resulted in a net inflow of $563 million, compared with a net inflow of $60 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 decreased its level of fixed income securities with maturities of more than three months, resulting in a net inflow of $54 million in the twelve-month period ended December 31, 2023, compared with a net inflow of $122 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 73% of consolidated capitalization at December 31, 2023.

	December 31, 2023	December 31, 2022 (restated)
Debentures and other debt instruments		
Power Corporation	647	647
Power Financial	250	250
Lifeco	9,046	10,509
IGM	2,400	2,100
Other [1]	3,017	1,956
Effect of consolidation	(88)	(88)
	14,625	14,727
	15,272	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	21,193	20,926
Non-controlling interests [2]	12,072	11,653
	33,265	32,579
	56,537	55,953

[1] Includes other debt instruments of controlled and consolidated investments and standalone businesses; consists of $299 million ($113 million in 2022) of debt including revolving credit facilities held by the investment funds, $2,490 million ($1,763 million in 2022) of project-related debt held within the Power Sustainable Energy Infrastructure platform, and $228 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 17B to the 2023 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.

SUBSEQUENT EVENTS

- The Corporation commenced a NCIB on March 1, 2024 which is effective until the earlier of February 28, 2025 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, Lifeco repaid the principal amount of its maturing €500 million senior 2.5% euro bonds, together with accrued interest that it had prefunded with the issuance of €500 million senior 4.7% euro bonds on November 16, 2022.
- Great-West Lifeco U.S. LLC, a subsidiary of Lifeco, made payments on its non-revolving credit facility of US$150 million on March 31, 2023, US$150 million on June 30, 2023, US$100 million on September 29, 2023 and US$100 million on December 29, 2023. The remaining drawn balance was nil as at December 31, 2023.

IGM Financial

- On May 26, 2023, IGM issued $300 million 5.426% debentures due May 26, 2053. The net proceeds of the offering were used by IGM to fund a portion of the purchase price in connection with its acquisition of a 20.5% equity interest in Rockefeller and for general corporate purposes.
- In the second quarter of 2023, IGM entered into a non-revolving term loan facility with Schedule I Canadian chartered banks related to the proceeds on the sale of IPC. The term loan facility was repaid prior to its sale of IPC.

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 23 to the Corporation's 2023 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, including the following and others discussed elsewhere in this MD&A, which investors should carefully consider before investing in securities of the Corporation. The following is a review of 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.

The following section discusses the risks specific to the Corporation including the liquidity risk, credit risk and market risk of the Corporation including Power Financial and the alternative asset investment platforms. Refer to Parts B and C of this MD&A for a specific discussion of the management of risk at Lifeco and IGM.

STRATEGIC RISK

Strategic risk arises as a result of ineffective strategic decision making, inadequate strategies or a lack of responsiveness to important changes to the business environment, including macroeconomic or country risk events, or changes to the regulatory environment. In addition, strategic risk includes risks associated with the Corporation's holding company structure and potential future acquisitions.

The successful execution of the Corporation's investment strategy is uncertain as it requires suitable opportunities, careful timing and business judgment. The Corporation's approach consists in overseeing, through the Board of Directors, its operating businesses and investments with a view to generate long-term, sustainable growth in earnings and dividends. The Corporation aims to act like an owner with a long-term perspective and a strategic vision anchored in strong core values.

The Chief Executive Officer is responsible for developing the Corporation's proposed strategic plans, in light of emerging opportunities and risks and with a view to the Corporation's sustained profitable growth and long-term value creation, and for implementing the approved strategic plans. The Board of Directors is responsible for approving the long-term goals and objectives for the Corporation, and, after considering alternatives, approving the strategic plans developed by the Chief Executive Officer. The Board of Directors also monitors senior management's implementation of the approved plans; assesses the achievement of the Corporation's goals and objectives; reviews and approves on at least an annual basis management's financial plan; and reviews and approves any significant transactions and strategic capital management decisions regarding the Corporation.

LIQUIDITY RISK

Liquidity risk is the risk that the Corporation would not be able to meet all cash outflow obligations as they come due or not be able to, in a timely manner, raise capital or monetize assets at normal market conditions.

As a holding company, Power Corporation's ability to meet its obligations, including payment of interest, other operating expenses and dividends, and to complete current or desirable future enhancement opportunities or acquisitions generally depends upon dividends from its principal operating subsidiaries, investment platforms and other investments, and its ability to raise additional capital. Dividends to shareholders of Power Corporation is at the discretion of its Board of Directors and is dependent on the operating performance, profitability, financial position and creditworthiness of its subsidiaries, jointly controlled corporations and associates, as well as on their ability to pay dividends. The payment of interest and dividends by the Corporation's principal subsidiaries is subject to restrictions set out in relevant corporate and insurance laws and regulations, which require that solvency and capital ratios be maintained. The requirements imposed by the regulators in any jurisdiction may change from time to time, and thereby impact the ability of the operating subsidiary to pay dividends.

The Corporation makes certain investments through its investment platforms in the securities of private companies and illiquid securities. These investments may offer relatively high potential returns, but may also be subject to a relatively higher degree of risk. From time to time, it may be in the best interests of the Corporation to exit these investments. However, securities of private companies and illiquid securities may not have a ready market and the Corporation may be unable to sell such securities at acceptable prices on a timely basis or at all. Illiquidity may limit the Corporation's ability to realize a return or to vary components of its investment portfolio promptly in response to changing conditions. In some cases, the Corporation may also be restricted by contract or by applicable laws from selling such securities for a period of time. The valuation of private companies is inherently difficult because there is a certain level of uncertainty in the assumptions used to determine the fair value of these investments.

The Corporation and Power Financial regularly review their liquidity requirements and seek to maintain a sufficient level of liquidity to meet their operating expenses, financing charges and payment of preferred share dividends for a reasonable period of time, as defined in their policies. The ability of Power Corporation, including through Power Financial, to arrange additional financing in the future will depend in part upon prevailing market conditions as well as the business performance of the Corporation and its subsidiaries. Although the Corporation has been able to access capital on financial markets in the past, there can be no assurance this will be possible in the future. The inability of Power Corporation to access sufficient capital on acceptable terms could have a material adverse effect on Power Corporation's business, prospects, dividend paying capability and financial condition, and further enhancement opportunities or acquisitions.

The Corporation held $1.2 billion of cash and cash equivalents, including fixed income securities and amounts held by Power Financial, at December 31, 2023. Liquidity is also available through the Corporation's lines of credit with Canadian banks. The Corporation has a committed line of credit of $500 million. The Corporation also maintains an uncommitted line of credit of $100 million, and any advances are at the bank's sole discretion. At December 31, 2023 and 2022, the Corporation was not utilizing its committed line of credit or uncommitted line of credit.

The investment platforms including the controlled and consolidated investments have committed lines of credit of $651 million with Canadian and U.S. banks ($315 million was undrawn at December 31, 2023).

Principal repayments on debentures and other debt instruments, and pension funding (other than those of Lifeco and IGM) represent the only significant contractual liquidity requirements. The debt instruments of Power Financial as well as those held by the investment platforms, including the controlled and consolidated investments, are non-recourse to the Corporation.

Contractual maturities of certain liabilities were as follows:

	Payments due by period			
December 31, 2023	1 year or less	1–5 years	Over 5 years	Total
Deposits and certificates	5,369	–	–	5,369
Power Corporation's debentures and other debt instruments	–	–	650	650
Non-recourse debentures and other debt instruments	751	726	1,850	3,327
Future lease payments	34	121	324	479
Pension contributions	15	–	–	15
	6,169	847	2,824	9,840

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.

Power Corporation's management of liquidity risk has not changed materially since December 31, 2022.

CREDIT RISK AND MARKET RISK

In order to maintain an appropriate level of available liquidity, the Corporation maintains a portfolio of financial instruments which can be a combination of cash and cash equivalents, fixed income securities, other investments (consisting of equity securities, investment funds and hedge funds) and derivatives. The Corporation also holds, through Power Financial and its investment platforms, shares of private and publicly traded companies and other loans. Those investments bear credit and market risks as described in the following sections.

Credit risk

Credit risk is the potential for financial loss to the Corporation 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 derivatives products.

Power Corporation and Power Financial manage credit risk on their fixed income securities by adhering to an investment policy that establishes guidelines which provide exposure limits by defining admissible securities, minimum ratings and concentration limits.

Fixed income securities, which are included in investments and in cash and cash equivalents, consist primarily of bonds, bankers' acceptances and highly liquid temporary deposits with Canadian chartered banks and banks in jurisdictions where Power Corporation, Power Financial and the investment platforms operate, as well as bonds and short-term securities of, or guaranteed by, the Canadian or U.S. governments. The Corporation and Power Financial regularly review the credit ratings of their counterparties. The maximum exposure to credit risk on these financial instruments is their carrying value.

Derivatives can be also used mainly to mitigate exposure to foreign exchange and market risk related to certain stock-based compensation arrangements. Power Corporation and Power Financial regularly review the credit ratings of derivative financial instrument counterparties. Derivative contracts are over-the-counter with counterparties that are highly rated financial institutions.

The financial instruments held by the investment platforms include other loans and are subject to credit risk. The investment platforms regularly review the credit ratings of their counterparties and the maximum exposure to credit risk on these financial instruments is their carrying value.

The Corporation's exposure to and management of credit risk related to cash and cash equivalents, fixed income securities and derivatives have not changed materially since December 31, 2022.

Market risk

Market risk is the risk that the market value or future cash flows of an investment will fluctuate as a result of changes in market factors. Market factors include foreign exchange risk, interest rate risk and equity risk.

FOREIGN EXCHANGE RISK

Foreign exchange risk relates to the Corporation, Power Financial and the investment platforms 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.

In its ongoing operations, the Corporation may hold cash balances denominated in foreign currencies and thus be exposed to fluctuations in exchange rates. In order to protect against such fluctuations, Power Corporation and Power Financial may from time to time enter into currency-hedging transactions with highly rated financial institutions. At December 31, 2023, approximately 28% of the $1,218 million of Power Corporation and Power Financial's cash and cash equivalents and fixed income securities were denominated in foreign currencies, consisting of $281 million in U.S. dollars, $59 million in euros and $3 million in Swiss francs. At December 31, 2023, approximately 62% (75% at December 31, 2022) of Power Corporation, Power Financial and investment platforms' cash and cash equivalents and fixed income securities were denominated in Canadian dollars.

Investments held by Power Corporation, Power Financial and through its investment platforms are either classified as FVOCI or at FVPL. These investments are diversified among the U.S. dollar, the euro, the Chinese renminbi and the Hong Kong dollar which contributes to reducing the concentration of foreign exchange risk. All unrealized gains and losses due to foreign exchange rate variations on investments classified as FVOCI are recorded in other comprehensive income. Unrealized gains and losses on investments classified as FVPL resulting from foreign exchange rate variations are recorded directly in net earnings. At December 31, 2023, the impact of a 5% strengthening of the Canadian dollar against foreign currencies would result in an unrealized loss recorded in other comprehensive income or a loss recorded in net earnings of approximately $20 million and $65 million, respectively. Power Corporation's and Power Financial's debentures are denominated in Canadian dollars.

Power Corporation has net investments in foreign operations. In accordance with IFRS, foreign currency translation gains and losses from net investments in foreign operations are recorded in other comprehensive income. Strengthening or weakening of the Canadian dollar spot rate compared to the U.S. dollar and Chinese renminbi spot rates impacts the Corporation's total equity.

Power Financial is exposed to foreign exchange risk on its investment in GBL held through Parjointco as its functional currency is the euro. Foreign currency translation gains and losses on this investment are recorded in other comprehensive income. At December 31, 2023, the impact of a 5% increase (decrease) in Canadian currency relative to the foreign currency would decrease (increase) the aggregate carrying value of foreign investment by approximately $185 million ($163 million in 2022).

INTEREST RATE RISK

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate following changes in interest rates.

Power Corporation, Power Financial and the investment platforms' financial instruments do not have significant exposure to interest rate risk.

EQUITY RISK

Equity risk is the potential loss associated with the sensitivity of the market price of a financial instrument arising from volatility in equity markets.

Investments held by Power Corporation, Power Financial and through its investment platforms are either classified as FVOCI or FVPL. All unrealized gains and losses on investments classified as FVOCI are recorded in other comprehensive income and transferred directly to retained earnings on realization. Unrealized gains and losses on investments classified as FVPL are recorded directly in net earnings. At December 31, 2023, the impact of a 10% decrease in the value of other investments held by Power Corporation, Power Financial and in the investment platforms would have resulted in approximately $41 million of unrealized loss recorded in other comprehensive income related to investments classified as FVOCI, and $230 million of loss recorded in net earnings related to investments classified as FVPL, including investments in jointly controlled corporations and associates measured at FVPL.

The investments held by Power Corporation, Power Financial and through its investment platforms classified as FVOCI or at FVPL, including jointly controlled corporations and associates measured at FVPL, include shares of private and publicly traded companies. At December 31, 2023, investments held in shares of publicly traded companies and private companies represented 15% and 85%, respectively, excluding equity interests held in consolidated investments. The investment platforms are diversified, investing in three distinct economic regions: Europe, North America and China. This diversification avoids a concentration in any one single economy.

GBL holds a portfolio of investments which the Corporation and GBL have classified as FVOCI or FVPL. All unrealized gains and losses on investments classified as FVOCI are recorded in other comprehensive income and transferred directly to retained earnings on realization. Unrealized gains and losses on investments classified as FVPL are recorded directly in net earnings. At December 31, 2023, the impact of a 10% decrease in equity markets would have resulted in an approximate $265 million unrealized loss to be recorded in other comprehensive income related to investments classified as FVOCI and a $75 million loss recorded in net earnings related to investments classified as FVPL, representing the Corporation's share of Parjointco's unrealized losses.

The market price of the equity securities of Power Corporation's subsidiaries and investments may be volatile and subject to numerous factors beyond such subsidiaries' control. At times, financial markets have experienced significant price and volume fluctuations that have affected the market price of the equity securities of the subsidiaries and investments, and that are often unrelated to the operating performance, underlying asset values or prospects of such companies. Volatility in the market price of the equity securities of subsidiaries and investments may have an impact on the adjusted net asset value reported by the Corporation.

Power Corporation's management of financial instruments risk has not changed materially since December 31, 2022. For a further discussion of Power Corporation's risk management, please refer to Note 24 to the Corporation's 2023 Consolidated Financial Statements. Parts B and C of this MD&A describe respectively Lifeco's and IGM's management of financial instruments risk.

OPERATIONAL RISK

Operational risk is defined as the risk of loss resulting from people, inadequate or failed internal processes and technologies, or external events, which include the risks of adverse impacts from unethical practices, including internal and external frauds, corruption and bribery, conflicts of interest and data privacy, as well as inadequate human resources practices, execution and processing errors, model risk, valuation risk, suppliers and third-party risk, business disruptions, cybersecurity, legal risk and regulatory compliance risk. Although operational risk cannot be eliminated entirely, the Corporation's risk management processes are designed to manage these risks in a thorough and diligent manner.

The Corporation manages operational risk by adopting and applying a series of corporate governance policies, procedures and practices such as human resource and compensation practice policies, a clawback policy for all officers, a Code of Business Conduct and Ethics for directors, officers and employees (the Code of Conduct), a Third Party Code of Conduct, a Global Anti-Bribery Policy, a Global Sanctions Policy, a Privacy Policy, business continuity procedures, related party transactions review and other corporate governance guidelines. The Corporation also has established a series of controls for financial reporting and disclosure purposes, and such controls, which are tested on a regular basis, can contribute to identifying and mitigating operational risks.

Cybersecurity risk

The Corporation is exposed to risks relating to cybersecurity, in particular cyber threats, which include cyber-attacks such as, but not limited to, hacking, computer viruses, unauthorized access to confidential, proprietary or sensitive information or other breaches of network or Information Technology (IT) security. The Corporation continues to monitor and enhance its defences and procedures to prevent, detect, respond to and manage cybersecurity threats, which are constantly evolving. Consequently, the Corporation's IT defences are continuously monitored and adapted to both prevent and detect cyber-attacks, and then recover and remediate. Disruption to information systems or breaches of security could result in a negative impact on the Corporation's financial results or result in reputational damage.

Model risk

Model risk is the risk of adverse consequences arising from the inappropriate use or interpretation of models, or the use of deficient models, data or assumptions by the Corporation or by the investment platforms. Changes in the internal assumptions or other factors affecting the models could lead to a change in fair value. The Corporation and the investment platforms 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 or investment decisions.

Regulatory compliance risk

Regulatory compliance risk is the risk of the Corporation or its employees failing to comply with the regulatory requirements in effect where the Corporation does business, both in Canada and internationally. There are many laws, governmental rules and regulations, including financial reporting and disclosure rules, that apply to the Corporation. Interpretation of these laws, rules and regulations by the Corporation, governmental agencies, or the courts could result in situations of regulatory non-compliance and could adversely affect the Corporation's reputation and result in penalties, fines and sanctions or increased oversight by regulators. The Corporation, in addition to complying with these laws, rules and regulations, must also monitor them closely so that changes therein are taken into account in the management of its activities.

The Corporation ensures that the tax implications of all of its strategic decisions comply with its legal and tax reporting obligations as well as anticipate potential changes in the current legal framework to avoid any risk of non-compliance that could have adverse impacts.

REPUTATION RISK

Reputation risk is the risk that an activity undertaken by the Corporation would be judged negatively by its stakeholders or the public, whether that judgment is with or without basis, thereby impairing its image and resulting potentially in the loss of business, limited financing capacity, legal action or increased regulatory oversight. Reputation risk can arise from a number of events and is generally related to a deficiency in managing another risk. For example, non-compliance with laws and regulations as well as deficiencies in financial reporting and disclosures can have a significant reputational impact on the organization.

The Board of Directors has adopted the Code of Conduct, which includes the Corporation's guidelines on conflicts of interest, as well as a Third Party Code of Conduct, that govern the conduct of the Corporation's Directors, officers, employees, advisors, consultants and suppliers. The Board of Directors oversees compliance with the Code of Conduct through the Corporation's General Counsel and Secretary, who monitors compliance with the Code of Conduct. Directors and employees of the Corporation are required to confirm annually, and officers are required to confirm quarterly, their understanding of, and agreement to comply with, the Code of Conduct.

SUSTAINABILITY RISK

Sustainability risk is the potential loss associated with the inability of the Corporation and its employees to identify and manage environmental and social risks, which could adversely impact the Corporation's financial position and reputation.

Environmental risks relate to the adverse impacts that could result from climate change, waste, and resource consumption. Social risks relate to the adverse impacts on people that could result from improper practices related to human rights, labour conditions, health and safety, harassment, diversity, equity and inclusion, wages and benefits, and supplier management.

Anchored by a strong responsible management culture, the Corporation takes a balanced and sustainable approach to conducting business. The Corporation adheres to the clear guidelines set out in its Code of Conduct, which applies to the Corporation's directors, officers and employees, as well as in its Third-Party Code of Conduct, which applies to advisors, consultants and suppliers. The Corporation also maintains other supporting policies, procedures and controls, including a Corporate Sustainability Statement, an Environmental Policy, a Diversity, Equity and Inclusion Policy, and a Respectful Workplace Policy.

The Corporation provides training and capacity building for its employees to ensure sustainability risks are identified and mitigated consistent with its policies and procedures. The Board of Directors' risk management oversight includes ensuring that material ESG risks are appropriately identified, managed, and monitored. Responsibility for sustainability considerations at the Board of Directors' level is assigned to the Governance and Nominating Committee. The Corporation's Vice-President, General Counsel and Secretary has been appointed as the Corporation's ESG Lead. Sustainability risks and opportunities are reviewed by the Governance and Nominating Committee through an annual update and progress report provided by the Corporation's ESG Lead, or more frequently as appropriate. The ESG Lead also reports annually to the Audit Committee on the implementation of the Code of Business Conduct and Ethics and of the Global Anti-Bribery Policy.

The Corporation monitors evolving regulatory requirements regarding sustainability reporting in order to be in compliance with any future requirements.

OTHER RISKS

Tax risk

Jurisdictions in which the Corporation and its subsidiaries operate periodically review and amend their tax laws and policies. Changes to tax rates may increase the tax expense of the Corporation and its subsidiaries, adversely impacting earnings.

Management actively monitors changes and developments to domestic and international tax laws and policies and their potential impacts.

In December 2021, the OECD published the Pillar Two model rules outlining a structure for a new 15% global minimum tax regime. A number of countries in which the Corporation and its subsidiaries operate, including Ireland, Germany and the U.K., have enacted legislation, which will be effective for the Corporation and its subsidiaries as of January 1, 2024. Canada and Barbados have published draft legislation, which is not substantively enacted but when enacted, is expected to be effective for the Corporation and its subsidiaries as of January 1, 2024.

The global minimum tax is very complex in nature and will require significant interpretation of each country's new legislation. The Corporation and its subsidiaries have performed a preliminary assessment of the potential exposure to Pillar Two income taxes. Potential exposure has been identified mainly in respect of Lifeco's operations in Barbados, Ireland and Isle of Man, jurisdictions where the statutory tax rate is below 15%. Based on this preliminary assessment, the Corporation expects a decrease in the range of 2-4% of Lifeco's contribution to the Corporation's adjusted net earnings.

Macroenvironmental risk

Many factors continue to contribute to the economic uncertainty in the geographies in which the Corporation and its subsidiaries operate and to the elevated volatility of global financial markets. These include inflationary pressures, tighter financial conditions and ongoing trade tensions and increased liquidity concerns with respect to certain U.S. and European banks. Elevated global financial market volatility is due, in part, to certain geopolitical conflicts, which the Corporation and its subsidiaries actively monitor. Central banks are weighing these factors in consideration of interest rate decisions in many of the countries in which the Corporations and its subsidiaries operate. The outlook for financial markets over the short and medium-term remains uncertain and the Corporation and its subsidiaries actively monitor events and information globally. The diversified nature of the Corporation's operating subsidiaries, their business models and the markets served, continue to mitigate risks presented by ongoing global economic uncertainty.

Emerging risks

An emerging risk is a risk not well understood at the current time and for which the impacts on the Corporation, including on its strategy and financial results, are difficult to assess or are in the process of being assessed.

Monitoring emerging risks is an important component of risk management. Power Corporation is actively monitoring emerging risks through:

- Review and analysis at the boards and committees of its operating companies around the world where local executives describe the emerging risks in their respective environments.
- The Corporation's executive officers act as the Corporation's risk management committee. They meet regularly to identify, analyze and review the Corporation's risks and to implement strategies to mitigate these risks.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

FAIR VALUE MEASUREMENT

Fair value represents the amount that would be exchanged in an arm's-length transaction between willing parties and is best evidenced by a quoted market price, if one exists. Fair values represent management's estimates and are generally calculated using market information and at a specific point in time and may not reflect future fair values. The calculations are subjective in nature, involve uncertainties and matters of significant judgment.

The Corporation's assets and liabilities recorded at fair value and those for which fair value is disclosed have been categorized based upon the following fair value hierarchy:

- Level 1 inputs utilize observable, unadjusted quoted prices in active markets for identical assets or liabilities that the Corporation has the ability to access.
- Level 2 inputs utilize other-than-quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs 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 Corporation and its subsidiaries maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement falls has been determined based on the lowest level input that is significant to the fair value measurement. The Corporation and its subsidiaries' assessment of the significance of a particular input to the fair value measurement requires judgment and considers factors specific to the asset or liability.

The following table presents the carrying amounts and fair value of the Corporation and its subsidiaries' assets and liabilities recorded or disclosed at fair value. The table distinguishes between assets and liabilities recorded at fair value on a recurring basis and those for which fair value is disclosed. 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 the fair value. Items excluded are: cash and cash equivalents, dividends, accounts and interest receivable, certain other financial assets, accounts payable, dividends and interest payable and certain other financial liabilities.

At December 31 [1]	2023		2022 (restated)	
	Carrying value	Fair value	Carrying value	Fair value
Assets				
Assets recorded at fair value				
Bonds				
FVPL	145,213	145,213	143,385	143,385
FVOCI	11,750	11,750	12,701	12,701
Available for sale	–	–	358	358
Mortgage and other loans				
FVPL	33,459	33,459	32,489	32,489
FVOCI	578	578	621	621
Shares				
FVPL	16,177	16,177	14,453	14,453
FVOCI	411	411	–	–
Available for sale	–	–	964	964
Investment in jointly controlled corporations and associates [2]	832	832	697	697
Investment properties	7,870	7,870	8,344	8,344
Derivative instruments	2,349	2,349	2,480	2,480
Assets held for sale [3]	2,152	2,152	–	–
Other assets	3,500	3,500	3,163	3,163
	224,291	224,291	219,655	219,655
Assets disclosed at fair value				
Bonds				
Amortized cost	373	371	–	–
Loans and receivables	–	–	16	16
Mortgage and other loans				
Amortized cost	9,531	8,994	4,192	3,577
Loans and receivables	–	–	5,022	4,905
	9,904	9,365	9,230	8,498
Total	234,195	233,656	228,885	228,153
Liabilities				
Liabilities recorded at fair value				
Investment contract liabilities	88,919	88,919	94,810	94,810
Derivative instruments	1,351	1,351	1,717	1,717
Limited-life and redeemable fund units	1,833	1,833	1,697	1,697
Other liabilities	526	526	291	291
	92,629	92,629	98,515	98,515
Liabilities disclosed at fair value				
Obligations to securitization entities	4,688	4,696	4,610	4,544
Power Corporation's debentures and other debt instruments	647	670	647	650
Non-recourse debentures and other debt instruments	14,625	14,037	14,727	13,446
Deposits and certificates	8,713	8,713	5,978	5,978
Other liabilities	147	147	143	143
	28,820	28,263	26,105	24,761
Total	121,449	120,892	124,620	123,276

[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 at December 31, 2022.

[2] Represents 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 FVPL.

[3] Assets held for sale measured at fair value includes shares of $46 million and trading account assets of $2,106 million.

See Note 30 to the Corporation's 2023 Consolidated Financial Statements for additional disclosure of the Corporation's fair value measurement at December 31, 2023.

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 twelve-month period ended December 31, 2023. The following table provides a summary of the Corporation and its subsidiaries' derivatives portfolio:

	December 31, 2023			December 31, 2022		
	Notional	Maximum credit risk	Total fair value	Notional	Maximum credit risk	Total fair value
Power Corporation	367	20	20	301	3	(19)
Power Financial	67	10	10	14	5	5
Lifeco	51,909	2,219	931	46,639	2,314	675
IGM	1,903	43	(7)	1,751	64	12
Other subsidiaries	1,270	57	44	1,809	94	90
	55,149	2,329	978	50,213	2,477	782
	55,516	2,349	998	50,514	2,480	763

During the twelve-month period ended December 31, 2023, there was an increase of $5.0 billion in the notional amount of derivatives outstanding, primarily due to increases in regular hedging activities by Lifeco. The Corporation and its subsidiaries' exposure to derivative counterparty risk (which represents the current fair value of instruments in a gain position) decreased to $2,349 million at December 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 29 to the Corporation's 2023 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 35 to the Corporation's 2023 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 35 to the Corporation's 2023 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 34 to the Corporation's 2023 Consolidated Financial Statements.

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

	Payments due by period				
At December 31, 2023	1 year or less	1–5 years	Over 5 years	Undefined [1]	Total
Power Corporation [2]	9	–	652	115	776
Power Financial [2]	12	2	252	–	266
Lifeco	7,110	3,768	6,416	–	17,294
IGM	4,326	4,347	1,986	–	10,659
Alternative asset investment platforms and consolidation entries	5,856	784	1,802	220	8,662
Total	17,313	8,901	11,108	335	37,657
Debentures and other debt instruments [3]	943	4,144	10,303	–	15,390
Obligations to securitization entities	937	3,738	13	–	4,688
Deposits and certificates	8,712	–	1	–	8,713
Lease obligations [4]	117	364	534	–	1,015
Purchase obligations [5]	306	578	250	–	1,134
Pension contributions [6]	257	–	–	–	257
Contractual commitments [1][7]	6,041	77	7	335	6,460
Total	17,313	8,901	11,108	335	37,657

[1] Includes outstanding commitments from the Corporation and the alternative asset investment platforms to make future capital contributions to investment funds; the exact amount and timing of each capital contribution cannot be determined. Excludes commitments to controlled and consolidated funds.

[2] Includes debentures of the Corporation of $650 million and Power Financial of $250 million.

[3] Refer to Note 16 and Note 17 to the Corporation's 2023 Consolidated Financial Statements for further information.

[4] Refer to Note 18 to the Corporation's 2023 Consolidated Financial Statements for further information.

[5] Purchase obligations are commitments of Lifeco to acquire goods and services, primarily related to information services, as well as construction and turbine purchase contracts related to wind projects under construction at Potentia.

[6] Pension contributions include expected contributions to defined benefit and defined contribution pension plans as well as other post-employment benefit plans and are subject to change, as contribution decisions are affected by many factors including market performance, regulatory requirements and management's ability to change funding policy. Funding estimates beyond one year are excluded due to variability in the assumptions required to project the timing of future contributions.

[7] Includes $6,411 million of commitments by Lifeco. These contractual commitments are essentially commitments of investment transactions made in the normal course of operations, in accordance with Lifeco's policies and guidelines, which are to be disbursed upon fulfillment of certain contract conditions.

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, fair value measurements, expected credit losses, valuation of goodwill and intangible assets, valuation of insurance contract liabilities, 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 Corporation's 2023 Consolidated Financial Statements.

CONSOLIDATION

Management of the Corporation consolidates all subsidiaries and entities in which it has determined that the Corporation has control. Control is evaluated according to the ability of the Corporation to direct the relevant activities of the subsidiaries, including investment funds or other structured entities, in order to derive variable returns. Management of the Corporation and of each of its subsidiaries exercise judgment in determining whether control exists. Judgment is exercised in evaluating the variable returns and in determining the extent to which the Corporation or its subsidiaries have the ability to exercise their power to affect variable returns.

Management of the Corporation exercises judgement in determining whether the Corporation is a principal or an agent when the Corporation or its subsidiaries act as a fund manager and also invest in the fund. The Corporation determines that it is a principal when it has sufficient capital invested and exposure to variability of returns generated as a result of the decisions of the Corporation or its subsidiaries as a fund manager. Judgment is applied in determining the sufficiency of the variability of returns and overall aggregate economic interest. In making these judgments, the Corporation considers the rights held by other investors, including their ability to remove the fund manager.

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. Management of the Corporation and of each of its subsidiaries exercise judgment in determining whether joint control or significant influence exists.

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 FVPL.

FAIR VALUE MEASUREMENT

Under IFRS 9, a financial asset is measured at fair value on initial recognition and is classified and subsequently measured as FVPL, 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 and minimize the use of unobservable inputs when measuring fair value. The following is a description of the methodologies used to value instruments carried at fair value.

Bonds at FVPL and FVOCI

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.

Mortgage and other loans at FVPL and FVOCI

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 FVPL

There are no market-observable prices for equity-release mortgages; Lifeco uses an internal valuation model for 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.

Shares at FVPL and FVOCI

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.

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 Corporation and its subsidiaries monitor all financial assets that are subject to impairment for significant increases in credit risk. In making this assessment, the Corporation and its subsidiaries consider both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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.

GOODWILL AND INDEFINITE LIFE INTANGIBLE ASSETS IMPAIRMENT TESTING

Goodwill and indefinite life intangible assets, including those resulting from an acquisition during the year, are tested for impairment annually or more frequently if events indicate that impairment may have occurred. Indefinite life intangible assets that were previously impaired are reviewed at each reporting date for evidence of reversal.

Goodwill and indefinite life intangible assets have been allocated to cash generating units or to groups of cash generating units (CGUs), representing the lowest level that the assets are monitored for internal reporting purposes. Goodwill and indefinite life intangible assets are tested for impairment by comparing the carrying value of the CGUs to the recoverable amount of the CGUs to which the goodwill and indefinite life intangible assets have been allocated.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less cost of disposal or value in use, which is calculated using the present value of estimated future cash flows expected to be generated.

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 represents the compensation that Lifeco requires for bearing uncertainty in the amount and timing of insurance contract cash flows due to non-financial risk. 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 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 Lifeco's assumptions and sensitivity disclosures.

PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS

The Corporation and its subsidiaries maintain funded defined benefit pension plans for eligible employees and advisors, unfunded supplementary employee retirement plans (SERP) for eligible employees, and unfunded post-employment health, dental and life insurance benefits to eligible employees, advisors and their dependants. The Corporation and its subsidiaries also maintain defined contribution pension plans for eligible employees and advisors.

The defined benefit pension plans provide pensions based on length of service and final average earnings. Expenses for defined benefit plans are actuarially determined using the projected unit credit method prorated on service, based upon management of the Corporation and of its subsidiaries' assumptions about discount rates, compensation increases, retirement ages of employees, mortality and expected health care costs. Any changes in these assumptions will impact the carrying amount of the pension benefit asset (liability). The Corporation and its subsidiaries' accrued benefit asset (liability) in respect to defined benefit plans is calculated separately for each plan by discounting the amount of the benefit that employees have earned in return for their service in current and prior periods and deducting the fair value of any plan assets.

- The Corporation and its subsidiaries determine the net interest component of the pension expense for the period by applying the discount rate used to measure the accrued benefit asset (liability) at the beginning of the annual period to the net accrued benefit asset (liability). The discount rate used to value assets or liabilities is determined by reference to market yields on high-quality corporate bonds.
- If the plan benefits are changed, or a plan is curtailed, any past service costs or curtailment gains or losses are recognized immediately in net earnings.
- Net interest costs, administration expenses, current service costs, past service costs and curtailment and settlement gains or losses are recognized in operating and administrative expenses in the statements of earnings.
- Remeasurements represent actuarial gains and losses, the actual return on plan assets greater (less) than interest income, and changes in the asset ceiling. Remeasurements are recognized immediately through other comprehensive income and are not subsequently reclassified to net earnings.
- The accrued benefit asset (liability) represents the plan surplus (deficit) and is included in other assets (other liabilities).
- Contributions to the defined contribution plans are expensed as incurred.

INCOME TAXES

Current income tax

Current income tax is based on taxable income for the year. Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the taxation authorities using the rates that have been enacted or substantively enacted at the balance sheet date in each respective jurisdiction. Current tax assets and current tax liabilities are offset, if a legally enforceable right exists to offset the recognized amounts and the entity intends either to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

A provision for tax treatment uncertainties which meet the probable threshold for recognition is measured using either the most likely amount or the expected value, depending upon which method provides the better prediction of the resolution of the uncertainty. The provision for tax uncertainties will be classified as current or deferred based on how a disallowance of the underlying uncertain tax treatment would impact the tax provision accrual as of the balance sheet date.

Deferred income tax

Deferred income tax is the tax expected to be payable or recoverable on differences arising between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable income and on unused tax attributes, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences and unused tax attributes can be utilized.

Recognition of deferred tax assets is based on the fact that it is probable that the entity will have taxable profits and/or tax planning opportunities available to allow the deferred tax asset to be utilized. Changes in circumstances in future periods may adversely impact the assessment of the recoverability. The uncertainty of the recoverability is taken into account in establishing the deferred tax assets. The Corporation and its subsidiaries' financial planning process provides a basis for the measurement of deferred tax assets.

Deferred tax assets and liabilities are measured at the tax rates expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to net current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries, jointly controlled corporations and associates, except where the group controls the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

The Corporation applied the mandatory exception in IAS 12 whereby it is not recognizing and disclosing information about deferred tax assets and liabilities related to income taxes arising from tax law to implement the Pillar Two model rules published by the OECD.

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* and IFRS 9, *Financial Instruments*, which replaced IFRS 4, *Insurance Contracts* and IAS 39, *Financial Instruments: Recognition and Measurement*, 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 as 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.

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 2023 Consolidated 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.

The Corporation adopted the amendments to IFRS for IAS 12, *Income Taxes* effective May 23, 2023, and has applied the mandatory exception whereby it is not recognizing and disclosing information about deferred tax assets and liabilities related to income taxes arising from tax law to implement the Pillar Two model rules published by the OECD.

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.

An embedded value approach was used to determine the fair value within the fair value approach. Under the embedded value approach, the fair value is measured as the third party's present value of fulfillment cash flows, plus future costs of capital, less any future profits. The cost of capital was measured as the total required capital times a hurdle rate, and the future profits are driven by the release of risk adjustment and investment income on required capital. The development of the assumptions was based on a combination of publicly available industry data, historic economic data and Lifeco's own view of assumptions when the external data sources were not available.

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.

TRANSITION TO 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 (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 FVOCI
	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.

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, 2023.

Transition Impacts

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 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 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.

See Note 3 to the Corporation's 2023 Consolidated Financial Statements for additional information. 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.

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 FVPL investments and has led to a reclassification of the investment revaluation reserves to retained earnings of $305 million.

[1] Defined as "base earnings (loss)" 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.

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. See Note 2 to the 2023 Consolidated Financial Statements for additional information:

Standard	Summary of future changes
IFRS 16 – ***Leases***	In September 2022, the IASB published *Lease Liability in a Sale and Leaseback*, amendments to IFRS 16, *Leases*. The amendments clarify that in a sale and leaseback transaction, the seller-lessee cannot recognize a gain or loss on the subsequent measurement of the lease liability related to the right of use it retains. These amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. The Corporation does not anticipate a significant impact on its financial statements as a result of these amendments.
IAS 7 – ***Statement of Cash Flows*** **and** **IFRS 7 –** ***Financial Instruments: Disclosures***	In May 2023, the IASB published amendments to IAS 7, *Statement of Cash Flows* and IFRS 7, *Financial Instruments: Disclosures*. The amendments require an entity to provide additional disclosures about its supplier finance arrangements. These amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. The Corporation does not anticipate a significant impact on its financial statements as a result of these amendments.

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 "2023 Significant Developments and Transactions".

On November 30, 2023, Lifeco and IGM completed a transaction whereby Lifeco acquired 100% of IPC from IGM for a total purchase consideration of $585 million. Refer to the section "2023 Significant Developments and Transactions".

On September 28, 2023, Sagard completed a transaction in which it expanded its existing strategic relationship with Lifeco. Refer to the section "2023 Significant Developments and Transactions" and to Part B of this MD&A for further discussion.

In the third quarter of 2023, a wind project in construction representing approximately 20 MW and a project in development were transferred from Potentia (direct investments) to PSEIP in exchange for consideration of $12 million in cash and units in the fund.

See Note 33 to the Corporation's 2023 Consolidated Financial Statements for additional information.

DISCLOSURE CONTROLS AND PROCEDURES

Based on their evaluations at December 31, 2023, the Chief Executive Officer and the Vice-President and Controller, in the capacity of Chief Financial Officer (Chief Financial Officer) have concluded that the Corporation's disclosure controls and procedures were effective at December 31, 2023.

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.

The Corporation's management, under the supervision of the Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of the Corporation's internal control over financial reporting at December 31, 2023, based on the Internal Control – Integrated Framework (COSO 2013 Framework) published by The Committee of Sponsoring Organizations of the Treadway Commission. Based on such evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the Corporation's internal control over financial reporting was effective at December 31, 2023.

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

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 December 31, 2023	Lifeco	IGM	Corporate and other[1]	Effect of consolidation	Total Power Financial	Total Power Corporation
Total assets	713,230	18,663	31,229	(21,314)	741,808	749,478
Total liabilities	683,379	11,943	7,538	(314)	702,546	708,213

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

At December 31, 2023	For the three months ended		For the twelve months ended	
	Power Financial	Power Corporation	Power Financial	Power Corporation
Cash flows from operations	2,297	2,224	6,038	5,933

OTHER SUPPLEMENTAL INFORMATION OF POWER FINANCIAL

First Preferred Shares Issued and Outstanding

	December 31, 2023		December 31, 2022	
	Number of shares	Share capital	Number of shares	Share capital
		$		$
First Preferred Shares (perpetual)				
Series A [i]	4,000,000	100	4,000,000	100
Series D [ii]	6,000,000	150	6,000,000	150
Series E [ii]	8,000,000	200	8,000,000	200
Series F [ii]	6,000,000	150	6,000,000	150
Series H [ii]	6,000,000	150	6,000,000	150
Series K [ii]	10,000,000	250	10,000,000	250
Series L [ii]	8,000,000	200	8,000,000	200
Series O [ii]	6,000,000	150	6,000,000	150
Series P [ii]	9,657,516	241	9,657,516	241
Series Q [ii]	1,542,484	39	1,542,484	39
Series R [ii]	10,000,000	250	10,000,000	250
Series S [ii]	12,000,000	300	12,000,000	300
Series T [ii]	8,000,000	200	8,000,000	200
Series V [ii]	10,000,000	250	10,000,000	250
Series 23 [ii]	8,000,000	200	8,000,000	200
		2,830		2,830

FIRST PREFERRED SHARES

[i] The Series A First Preferred Shares are entitled to a quarterly cumulative dividend, at a floating rate equal to one quarter of 70% of the average prime rate quoted by two major Canadian chartered banks and are redeemable, at Power Financial's option, at $25.00 per share, together with all declared and unpaid dividends to the date fixed for redemption.

[ii] The following First Preferred Shares series are entitled to fixed non-cumulative preferential cash dividends payable quarterly. Power Financial may redeem for cash the First Preferred Shares in whole or in part, at Power Financial's option, with all declared and unpaid dividends to, but excluding, the date of redemption. The dividends and redemption terms are as follows:

First Preferred Shares	Cash dividends payable quarterly	Earliest issuer redemption date	Redemption price
	($/share)		($/share)
Non-cumulative, fixed rate			
Series D, 5.50%	0.343750	Currently redeemable	25.00
Series E, 5.25%	0.328125	Currently redeemable	25.00
Series F, 5.90%	0.368750	Currently redeemable	25.00
Series H, 5.75%	0.359375	Currently redeemable	25.00
Series K, 4.95%	0.309375	Currently redeemable	25.00
Series L, 5.10%	0.318750	Currently redeemable	25.00
Series O, 5.80%	0.362500	Currently redeemable	25.00
Series R, 5.50%	0.343750	Currently redeemable	25.00
Series S, 4.80%	0.300000	Currently redeemable	25.00
Series V, 5.15%	0.321875	Currently redeemable	25.75
Series 23, 4.50%	0.281250	January 31, 2027	26.00
Non-cumulative, 5-year rate reset [1]			
Series P, 1.998%	0.124875	January 31, 2026	25.00
Series T, 4.215% [2]	0.263438	January 31, 2024	25.00
Non-cumulative, variable rate			
Series Q, 3-month Government of Canada Treasury Bill + 1.60% [3]	Variable	Currently redeemable	25.50

[1] The dividend rate will reset on the earliest issuer redemption date and every fifth year thereafter at a rate equal to the 5-year Government of Canada bond yield plus a reset spread (1.60% for Series P and 2.37% for Series T). The holders have the option to convert their shares into non-cumulative floating rate First Preferred Shares subject to certain conditions on the earliest redemption date and every fifth year thereafter at a rate equal to the 3-month Government of Canada Treasury Bill rate plus the reset spread indicated.

[2] Pursuant to the terms of the Non-Cumulative 5-Year Rate Reset First Preferred Shares, Series T (Series T shares) and the Non-Cumulative Floating Rate First Preferred Shares, Series U (Series U shares), on January 31, 2024, the Series T shares were subject to a dividend rate reset and the holders of Series T were entitled to convert their shares into Series U. None of the outstanding 8,000,000 Series T shares were converted into Series U shares. The dividend rate for the Series T shares was reset to an annual fixed rate of 5.595% or $0.349688 per share cash dividend payable quarterly.

[3] The holders have the option to convert their shares into Series P First Preferred Shares, subject to certain conditions, on the earliest redemption date and every fifth year thereafter. Power Financial may redeem for cash the Series Q shares, at Power Financial's option, at $25.00 per share if redeemed on January 31, 2026 and on January 31 every five years thereafter, or $25.50 per share if redeemed at any other date.

NON-IFRS FINANCIAL MEASURES

DEFINITIONS

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. See also "Statement Regarding Non-IFRS Financial Measures and Other Measures". 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 from continuing operations [1]	Net earnings from continuing operations [1] 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. 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, assumption changes and management actions that impact the measurement of assets and liabilities, 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 business transformation impacts (including restructuring or reorganization and integration costs, acquisition and divestiture costs), material legal settlements, material impairment charges, impacts of income tax rate changes and other tax impairments, certain non-recurring material items, net gains, losses or costs related to the disposition or acquisition of a business, and other items that, when removed, assist in explaining underlying operating performance. Effective the first quarter of 2023, the Corporation introduced a refined definition of adjusted net earnings. 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. 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 FVOCI, 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 in 2022 have been restated to reflect this change.	Identifies items that are not considered part of operating performance by management, including items identified by management of its publicly traded operating companies.

[1] Attributable to participating shareholders of Power Corporation.

Non-IFRS financial measure	Definition	Purpose
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.
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.

Non-IFRS financial measure	Definition	Purpose
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 investment platform expenses which include 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 finite life intangible assets, 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 from continuing operations per share	Earnings per share calculated using adjusted net earnings from continuing operations. Adjusted net earnings from continuing operations divided by the weighted average number of participating shares outstanding.	Assists in comparing adjusted net earnings from continuing operations on a per share basis; refer to "Adjusted net earnings from continuing operations" 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			Twelve months ended	
	December 31, 2023	September 30, 2023	December 31, 2022 (restated)	December 31, 2023	December 31, 2022 (restated)
Adjusted net earnings from continuing operations – Non-IFRS financial measure [1]	579	1,007	395	2,959	2,004
Share of Adjustments [2], net of tax					
Lifeco	(156)	(10)	(277)	(552)	207
IGM	(14)	–	(12)	(71)	15
Sagard and Power Sustainable	–	–	–	–	(10)
ChinaAMC	–	–	–	(54)	–
	(170)	(10)	(289)	(677)	212
Net earnings from continuing operations – IFRS financial measure [1]	409	997	106	2,282	2,216
Net earnings (loss) from discontinued operations – Putnam	(3)	(22)	(17)	(87)	(21)
Net earnings – IFRS financial measure [1]	406	975	89	2,195	2,195

[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			Twelve months ended	
	December 31, 2023	September 30, 2023	December 31, 2022 (restated)	December 31, 2023	December 31, 2022 (restated)
Lifeco [1]					
Market experience relative to expectations (pre-tax)	(239)	130	(261)	(314)	567
Income tax (expense) benefit	94	(26)	4	105	(214)
Realized OCI gains (losses) from asset rebalancing (pre-tax)	–	–	–	(99)	–
Income tax (expense) benefit	–	–	–	16	–
Assumption changes and management actions (pre-tax) [2]	(20)	(85)	(14)	(102)	26
Income tax (expense) benefit	76	13	10	88	5
Business transformation impacts (pre-tax) [2][3][4]	(92)	(23)	(48)	(231)	(181)
Income tax (expense) benefit	47	6	8	80	45
Amortization of acquisition-related finite life intangible assets (pre-tax) [4]	(28)	(34)	(24)	(124)	(111)
Income tax (expense) benefit	7	9	6	32	27
Tax legislative changes impact [4]	–	–	–	–	–
Income tax (expense) benefit	–	–	42	–	42
	(155)	(10)	(277)	(549)	206
Effect of consolidation (pre-tax) [5]	(1)	–	–	(4)	1
Income tax (expense) benefit	–	–	–	1	–
	(156)	(10)	(277)	(552)	207
IGM [1]					
Gain on disposal of IPC (pre-tax)	137	–	–	137	–
Income tax (expense) benefit	–	–	–	–	–
Gain on disposal of Lifeco shares (pre-tax)	–	–	–	108	–
Income tax (expense) benefit	–	–	–	(3)	–
Restructuring charges (pre-tax)	–	–	–	(64)	–
Income tax (expense) benefit	–	–	–	17	–
IFRS 17 adjustment (pre-tax)	–	–	–	9	–
Income tax (expense) benefit	–	–	–	–	–
	137	–	–	204	–
Effect of consolidation (pre-tax) [5]	(156)	–	(14)	(291)	20
Income tax (expense) benefit	5	–	2	16	(5)
	(14)	–	(12)	(71)	15
Sagard and Power Sustainable					
Impairment charges on direct investments in energy infrastructure (pre-tax)	–	–	–	–	(13)
Income tax (expense) benefit	–	–	–	–	3
	–	–	–	–	(10)
ChinaAMC					
Transaction costs on disposal of ChinaAMC (pre-tax)	–	–	–	(14)	–
Income tax (expense) benefit	–	–	–	–	–
Income taxes on disposal of ChinaAMC	–	–	–	(40)	–
	–	–	–	(54)	–
	(170)	(10)	(289)	(677)	212

[1] As reported by Lifeco and IGM.

[2] Following internal reviews at Lifeco, the mapping of certain assumption changes and management actions and business transformation impacts has been modified to reflect current presentation and comparative results for the periods ended December 31, 2022 have been restated, as applicable.

[3] Business transformation impacts include restructuring and integration costs as well as acquisition and divestiture costs.

[4] Included in other non-market related impacts.

[5] 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, the gain recognized by IGM on the sale of IPC to Lifeco, as well as IGM's share of Lifeco's IFRS 17 adjustment; 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 from continuing operations; 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":

	December 31, 2023	December 31, 2022 (restated)
Participating shareholders' equity – IFRS financial measure		
Share capital – participating shares	9,284	9,486
Retained earnings	10,005	9,099
Reserves	1,904	2,341
	21,193	20,926
Fair value adjustments [1]		
Lifeco	12,545	4,835
IGM	1,477	1,985
GBL	(1,422)	(926)
Alternative asset investment platforms	965	607
ChinaAMC	–	367
Other investments and standalone businesses	159	206
Adjustments to Other liabilities [1]	–	(37)
	13,724	7,037
Adjusted net asset value – Non-IFRS financial measure	34,917	27,963
Per share [2]		
Participating shareholders' equity (book value)	32.49	31.37
Adjusted net asset value	53.53	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)	December 31, 2023	December 31, 2022 (restated)
Total consolidated assets per financial statements [1]	749	704
Other assets under management		
Continuing operations	410	360
Discontinued operations	162	149
Total consolidated assets and assets under management [1]	1,321	1,213
Other assets under administration	1,787	1,505
Total consolidated assets and assets under administration [1]	3,108	2,718

[1] Includes assets held for sale and other assets under management related to the discontinued operations of Putnam.

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			Twelve months ended	
	December 31, 2023	September 30, 2023	December 31, 2022 (restated)	December 31, 2023	December 31, 2022 (restated)
Net earnings attributable to participating shareholders of Power Corporation – IFRS financial measure	**406**	**975**	**89**	**2,195**	**2,195**
Excluding:					
Contribution to net earnings from Lifeco	(479)	(612)	(268)	(1,813)	(2,365)
Contribution to net earnings from IGM	(107)	(137)	(120)	(444)	(554)
Contribution to net earnings from GBL	1	(315)	(48)	(423)	15
Contribution to net earnings from Lifeco, IGM and GBL	(585)	(1,064)	(436)	(2,680)	(2,904)
Contribution to net earnings from the holding company	93	80	62	308	266
Contribution to net earnings from Alternative Asset Investment Platforms and Other	**(86)**	**(9)**	**(285)**	**(177)**	**(443)**
Excluding:					
Investing activities	53	(10)	176	84	292
Standalone businesses	21	(2)	102	16	68
Contribution to net earnings from Asset Management Activities	**(12)**	**(21)**	**(7)**	**(77)**	**(83)**
Adjustments:					
Sagard					
Non-controlling interests	(6)	–	(3)	(9)	(12)
Loss from private wealth platform and other asset management activities	1	2	1	6	9
Net carried interest	1	1	6	6	62
Share-based compensation	1	–	1	7	5
Amortization of intangibles	1	–	1	2	2
Acquisition related costs [1]	(8)	1	(1)	(2)	–
Income taxes and other	2	–	–	6	(2)
Power Sustainable					
Loss (earnings) from development and asset management activities provided by Potentia and Nautilus on behalf of PSEIP	10	4	4	19	5
Net performance fees and carried interest	(9)	3	(19)	(12)	(30)
Income taxes and other	2	(1)	–	1	(1)
	(5)	10	(10)	24	38
Fee-related earnings (loss) – Non-IFRS financial measure	**(17)**	**(11)**	**(17)**	**(53)**	**(45)**
Sagard	*(4)*	*(2)*	*(5)*	*(9)*	*(4)*
Power Sustainable	*(13)*	*(9)*	*(12)*	*(44)*	*(41)*

[1] Includes transaction costs and changes in fair value related to contingent consideration.

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 (AUM&A) of IGM	AUM&A represents the consolidated AUM and AUA of IGM's core businesses IG Wealth Management and Mackenzie Investments and excludes the AUM and AUA of IPC, which has been disclosed by IGM as discontinued operations. In IGM's Wealth Management segment, AUM is a component part of AUA. 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 held within the client accounts of IGM's Wealth Management segment's core business.
Assets under management and advisement including Strategic Investments (AUM&A including SI) of IGM	AUM&A including SI represents IGM's AUM&A including its proportionate share of the AUM&A of strategic investments, based on IGM's direct and indirect ownership of the strategic investments. The strategic investments included are those whose activities are primarily in asset and wealth management, and include interests in ChinaAMC, Northleaf, Rockefeller and Wealthsimple. Rockefeller client assets include assets under management and advisement as well as assets held for investment purposes and only receiving administrative services.
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 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, funds which have completed their investment period, separately managed accounts within the credit platforms and certain co-investment vehicles; ▪ Net asset value of Power Sustainable China, Power Sustainable Energy Infrastructure including direct investments in energy assets, and funds within the real estate platform; and ▪ Invested capital or gross asset value of assets managed through separately managed accounts within the real estate 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.

Term	Definition
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 and treasury shares are measured at their market value, investments in private entities are measured using the recommendations of the International Private Equity and Venture Capital Valuation Guidelines, and recent investments are valued at their acquisition cost, which represents GBL management's best estimate. ▪ GBL Capital's portfolio of investments is measured by adding all investments at fair value provided by the fund managers with GBL Capital's net cash, less its net debt. ▪ Sienna Investment Managers' assets are valued at the acquisition cost of the management companies, less, where applicable, impairments. For more information on GBL's net asset value and valuation principles, refer to its website (www.gbl.com).
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.
Weighted average management fee rate	Represents the weighted average management fee rate charged on the fee-bearing capital across all asset classes during the period. Management fees earned during the period divided by the average fee-bearing capital of funds, co-investment vehicles and separately managed accounts during such period. Management fees include retroactive management fees earned during the period related to the timing of subsequent fundraising closes.

ABBREVIATIONS

The following abbreviations are used throughout this report:

adidas	adidas AG
Adjusted net earnings	Adjusted net earnings from continuing operations
Affidea	Affidea Group B.V.
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.
Diagram	Diagram Corporation
Diagram ClimateTech	Diagram ClimateTech Fund LP
Diagram Opportunity	Diagram Opportunity Fund I LP
Diagram Ventures I	Diagram Ventures LP
Diagram Ventures II	Diagram Ventures II LP
Diagram Ventures III	Diagram Ventures III LP
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.
Franklin Templeton	Franklin Resources, 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
NCIB	Normal Course Issuer Bid
NCREIF	National Council of Real Estate Investment Fiduciaries
Northleaf	Northleaf Capital Group Ltd.
NYSE	New York Stock Exchange
OECD	Organization for Economic Co-operation and Development
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
Pillar Two	Pillar Two Global Anti-Base Erosion Model Rules published by the OECD
Portage Capital Solutions	Portage Capital Solutions Fund I LP
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 Infrastructure Credit	Power Sustainable Infrastructure Credit Manager, L.P.
Power Sustainable Lios	Power Sustainable Lios Inc.
Power Sustainable Manager	Power Sustainable Manager Inc.
Prudential	Prudential Financial, Inc.
PSEIP	Power Sustainable Energy Infrastructure Partnership
Putnam	Putnam U.S. Holdings I, 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 3, and Sagard MidCap 4
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
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

SELECTED ANNUAL INFORMATION

For the years ended December 31	IFRS 17 / IFRS 9[1] 2023	IFRS 17 / IFRS 9[1] 2022 (restated)	IFRS 4 / IAS 39[1] 2021
Total revenues[2]	46,428	5,534	69,561
Consolidated assets and assets under management [in billions][3]	1,321	1,213	1,237
Consolidated assets and assets under administration [in billions][3]	3,108	2,718	2,549
Net earnings (attributable to participating shareholders)	2,195	2,195	2,917
per share – basic	3.32	3.27	4.31
per share – diluted	3.30	3.22	4.27
Net earnings from continuing operations (attributable to participating shareholders)[3]	2,282	2,216	2,917
per share – basic	3.45	3.30	4.31
Adjusted net earnings from continuing operations (attributable to participating shareholders)[3]	2,959	2,004	3,230
per share – basic	4.47	2.99	4.77
Consolidated assets	749,478	704,401	661,633
Consolidated liabilities	708,213	663,822	617,905
Power Corporation's debentures and other debt instruments	647	647	647
Non-recourse debentures and other debt instruments	14,625	14,727	12,533
Shareholders' equity	22,143	21,876	24,339
Book value per participating share	32.49	31.37	34.56
Adjusted net asset value per share[3]	53.53	41.91	52.60
Number of participating shares outstanding [millions]			
Participating preferred shares	54.9	54.9	54.9
Subordinate voting shares	597.4	612.2	621.8
Dividends per share [declared]			
Participating shares	2.100	1.9800	1.8375
First preferred shares of Power Corporation			
1986 Series	–	–	0.8576
Series A	1.4000	1.4000	1.4000
Series B	1.3375	1.3375	1.3375
Series C	1.4500	1.4500	1.4500
Series D	1.2500	1.2500	1.2500
Series G	1.4000	1.4000	1.4000
First preferred shares of Power Financial			
Series A[4]	1.2145	0.7223	0.4288
Series D	1.3750	1.3750	1.3750
Series E	1.3125	1.3125	1.3125
Series F	1.4750	1.4750	1.4750
Series H	1.4375	1.4375	1.4375
Series I	–	–	1.2154
Series K	1.2375	1.2375	1.2375
Series L	1.2750	1.2750	1.2750
Series O	1.4500	1.4500	1.4500
Series P[5]	0.4995	0.4995	0.4995
Series Q[6]	1.5750	0.8221	0.4312
Series R	1.3750	1.3750	1.3750
Series S	1.2000	1.2000	1.2000
Series T[7]	1.0538	1.0538	1.0538
Series V	1.2875	1.2875	1.2875
Series 23	1.1250	1.1250	0.3329

[1] The 2021 annual results have not been restated to reflect the adoption of IFRS 17 and IFRS 9, as well as to reflect the net earnings (losses) of Putnam as discontinued operations, and are therefore not comparable to the results in subsequent periods.

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

[3] Consolidated assets and assets under management, consolidated assets and assets under administration, adjusted net earnings, adjusted net earnings per share and adjusted net asset value per share are non-IFRS financial measures. For a definition of these non-IFRS financial measures, refer to the section "Non-IFRS Financial Measures".

[4] The Series A First Preferred Shares are entitled to a quarterly cumulative dividend at a floating rate equal to one quarter of 70% of the average prime rate quoted by two major Canadian chartered banks.

[5] On January 31, 2021, the Series P First Preferred Shares were subject to a dividend rate reset for the five-year period from and including January 31, 2021. The dividend rate was reset to 1.998% or $0.124875 per share in cash dividends payable quarterly.

[6] The Series Q First Preferred Shares are entitled to an annual non-cumulative dividend, payable quarterly at a floating rate equal to the 3-month Government of Canada Treasury Bill rate plus 1.60%.

[7] On January 31, 2024, the Series T First Preferred Shares were subject to a dividend rate reset for the five-year period from and including January 31, 2024. The dividend rate was reset to 5.595% or $0.349688 per share in cash dividends payable quarterly.

SUMMARY OF QUARTERLY RESULTS

	2023				2022 (restated)			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total revenues [1]	21,373	4,656	7,173	13,226	11,327	1,655	(4,590)	(2,858)
Net earnings [2]	406	975	501	313	89	643	601	862
per share – basic	0.63	1.47	0.75	0.47	0.14	0.96	0.89	1.28
per share – diluted	0.61	1.47	0.75	0.47	0.13	0.96	0.86	1.27
Earnings from continuing operations								
Net earnings from continuing operations [2]	409	997	550	326	106	642	606	862
per share – basic	0.63	1.50	0.82	0.49	0.16	0.96	0.90	1.28
per share – diluted	0.61	1.50	0.82	0.49	0.15	0.96	0.87	1.27
Adjusted net earnings from continuing operations [2][3]	579	1,007	847	526	395	520	647	442
per share – basic [3]	0.89	1.52	1.27	0.79	0.59	0.78	0.97	0.65
Adjustments [3][4]	(170)	(10)	(297)	(200)	(289)	122	(41)	420
per share – basic [3]	(0.26)	(0.02)	(0.45)	(0.30)	(0.43)	0.18	(0.07)	0.63

[1] Total revenues includes net investment income and changes in fair value through profit or loss included in the net investment result on the consolidated statements of earnings. Comparative amounts have been restated to reflect Putnam as discontinued operations. Total revenue for the fourth quarter of 2023 was $21,373 million and comprises: insurance revenue of $5,174 million ($5,442 million in the fourth quarter of 2022); net investment income of $2,500 million ($2,151 million in the fourth quarter of 2022); a positive change in fair value through profit or loss on investments of $11,098 million ($1,356 million in the fourth quarter of 2022); and fee and other income of $2,601 million ($2,378 million in the fourth quarter of 2022).

[2] Attributable to participating shareholders.

[3] Adjusted net earnings from continuing operations attributable to participating shareholders and adjusted net earnings from continuing operations per share, and adjustments and adjustments per share are non-IFRS financial measures. In the second quarter of 2023, the results of Putnam have been presented as discontinued operations; the comparative results have been restated to exclude net earnings (loss) from discontinued operations related to Putnam. 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:

	2023				2022 (restated)			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Lifeco								
Pre-tax	(380)	(12)	(299)	(183)	(347)	155	(30)	524
Tax effect	224	2	57	39	70	(38)	(18)	(109)
	(156)	(10)	(242)	(144)	(277)	117	(48)	415
IGM								
Pre-tax	(19)	–	(73)	(9)	(14)	6	9	19
Tax effect	5	–	18	7	2	(1)	(2)	(4)
	(14)	–	(55)	(2)	(12)	5	7	15
Sagard and Power Sustainable								
Pre-tax	–	–	–	–	–	–	–	(13)
Tax effect	–	–	–	–	–	–	–	3
	–	–	–	–	–	–	–	(10)
ChinaAMC								
Pre-tax	–	–	–	(14)	–	–	–	–
Tax effect	–	–	–	(40)	–	–	–	–
	–	–	–	(54)	–	–	–	–
	(170)	(10)	(297)	(200)	(289)	122	(41)	420

CONSOLIDATED BALANCE SHEETS

[in millions of Canadian dollars]	December 31, 2023	December 31, 2022 (restated)	January 1, 2022 (restated)
Assets			
Cash and cash equivalents [Note 5]	9,937	9,848	9,509
Investments [Note 6]			
Bonds	157,336	156,460	143,030
Mortgage and other loans	43,568	42,324	34,771
Shares	16,588	15,417	15,360
Investment properties	7,870	8,344	7,763
	225,362	222,545	200,924
Insurance contract assets [Note 11]	1,193	1,140	1,533
Reinsurance contract held assets [Note 12]	17,332	17,571	21,843
Assets held for sale [Note 4]	4,467	–	–
Derivative financial instruments [Note 29]	2,349	2,480	1,049
Investments in jointly controlled corporations and associates [Note 7]	8,152	6,516	7,424
Owner-occupied properties and capital assets [Note 8]	5,082	4,409	3,686
Other assets [Note 9]	29,434	27,572	22,612
Deferred tax assets [Note 19]	1,894	1,505	1,399
Intangible assets [Note 10]	6,690	8,316	7,607
Goodwill [Note 10]	14,630	14,617	12,994
Investments on account of segregated fund policyholders [Note 14]	422,956	387,882	357,419
Total assets	749,478	704,401	647,999
Liabilities			
Insurance contract liabilities [Note 11]	144,388	135,438	157,910
Investment contract liabilities [Note 13]	88,919	94,810	53,694
Reinsurance contract held liabilities [Note 12]	648	537	1,290
Liabilities held for sale [Note 4]	2,407	–	–
Obligations to securitization entities [Note 15]	4,688	4,610	5,058
Power Corporation's debentures and other debt instruments [Note 16]	647	647	647
Non-recourse debentures and other debt instruments [Note 17]	14,625	14,727	12,533
Derivative financial instruments [Note 29]	1,351	1,717	1,063
Other liabilities [Note 18]	26,368	22,168	16,884
Deferred tax liabilities [Note 19]	1,216	1,286	1,181
Insurance contracts on account of segregated fund policyholders [Note 14]	60,302	57,841	65,253
Investment contracts on account of segregated fund policyholders [Note 14]	362,654	330,041	292,166
Total liabilities	708,213	663,822	607,679
Equity			
Share capital [Note 20]			
Non-participating shares	950	950	954
Participating shares	9,284	9,486	9,603
Retained earnings	10,005	9,099	8,520
Reserves	1,904	2,341	3,009
Total shareholders' equity	22,143	21,876	22,086
Non-controlling interests [Note 22]	19,122	18,703	18,234
Total equity	41,265	40,579	40,320
Total liabilities and equity	749,478	704,401	647,999

Approved by the Board of Directors

Signed,
Siim A. Vanaselja
Director

Signed,
R. Jeffrey Orr
Director

CONSOLIDATED STATEMENTS OF EARNINGS

For the years ended December 31 [in millions of Canadian dollars, except per share amounts]	2023	2022 (restated)
Insurance service result		
Insurance revenue [Note 25]	20,402	19,632
Insurance service expenses [Note 26]	(15,777)	(15,272)
Net expense from reinsurance contracts	(1,544)	(1,531)
Total insurance service result	3,081	2,829
Net investment result [Note 6]		
Net investment income	9,195	7,613
Changes in fair value through profit or loss	6,664	(30,978)
	15,859	(23,365)
Net finance income (expenses) from insurance contracts	(9,238)	18,809
Net finance income (expenses) from reinsurance contracts	224	(1,251)
Changes in investment contract liabilities	(4,806)	8,454
Net investment result	2,039	2,647
Net investment result – Insurance contracts on account of segregated fund policyholders		
Net investment income (loss)	4,808	(4,130)
Net finance income (expenses) from insurance contracts	(4,808)	4,130
Net investment result – Insurance contracts on account of segregated fund policyholders	–	–
Other revenues		
Fee income	9,477	8,730
Other	690	537
Total fee income and other revenues	10,167	9,267
Other expenses		
Operating and administrative expenses [Note 26]	11,214	9,683
Financing charges [Note 27]	766	672
Total other expenses	11,980	10,355
Earnings before investments in jointly controlled corporations and associates, and income taxes	3,307	4,388
Share of earnings (losses) of investments in jointly controlled corporations and associates [Note 7]	615	(34)
Earnings before income taxes	3,922	4,354
Income taxes [Note 19]	263	646
Net earnings from continuing operations	3,659	3,708
Net loss from discontinued operations [Note 4]	(124)	(32)
Net earnings	3,535	3,676
Attributable to		
Non-controlling interests [Note 22]	1,288	1,429
Non-participating shareholders	52	52
Participating shareholders	2,195	2,195
	3,535	3,676
Earnings per participating share [Note 32]		
Net earnings from continuing operations attributable to participating shareholders		
Basic	3.45	3.30
Diluted	3.43	3.26
Net earnings attributable to participating shareholders		
Basic	3.32	3.27
Diluted	3.30	3.22

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31 [in millions of Canadian dollars]	2023	2022 (restated)
Net earnings	3,535	3,676
Other comprehensive income (loss)		
Items that may be reclassified subsequently to net earnings		
Net unrealized gains (losses) on FVOCI debt instruments		
Unrealized gains (losses)	281	(1,193)
Income tax (expense) benefit	(97)	223
Realized (gains) losses transferred to net earnings	248	71
Income tax expense (benefit)	(19)	(8)
	413	(907)
Net unrealized gains (losses) on available-for-sale investments		
Unrealized gains (losses)	–	(255)
Income tax (expense) benefit	–	29
Realized (gains) losses transferred to net earnings	–	159
Income tax expense (benefit)	–	(20)
	–	(87)
Net unrealized gains (losses) on cash flow hedges		
Unrealized gains (losses)	94	11
Income tax (expense) benefit	(32)	–
Realized (gains) losses transferred to net earnings	(95)	1
Income tax expense (benefit)	25	–
	(8)	12
Net unrealized foreign exchange gains (losses) on translation of foreign operations		
Unrealized gains (losses) on translation	(52)	424
Income tax (expense) benefit	5	2
Realized (gains) losses transferred to net earnings	(4)	–
Unrealized gains (losses) on hedges of net investments in foreign operations	(64)	88
Income tax (expense) benefit	(6)	28
	(121)	542
Share of other comprehensive income (losses) of investments in jointly controlled corporations and associates	(53)	(929)
Income tax (expense) benefit	6	3
	(47)	(926)
Total – items that may be reclassified	237	(1,366)
Items that will not be reclassified subsequently to net earnings		
Net unrealized gains (losses) on FVOCI equity instruments		
Unrealized gains (losses)	(82)	–
Income tax (expense) benefit	(2)	–
	(84)	–
Share of other comprehensive income (losses) of investments in jointly controlled corporations and associates	(64)	5
Actuarial gains (losses) on defined benefit plans [Note 28]	(182)	773
Income tax (expense) benefit	41	(177)
	(141)	596
Total – items that will not be reclassified	(289)	601
Other comprehensive loss	(52)	(765)
Comprehensive income	3,483	2,911
Attributable to		
Non-controlling interests	1,399	1,350
Non-participating shareholders	52	52
Participating shareholders	2,032	1,509
	3,483	2,911

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the year ended December 31, 2023 [in millions of Canadian dollars]	Share capital: Non-participating shares	Share capital: Participating shares	Retained earnings	Reserves: Share-based compensation	Reserves: Other comprehensive income [Note 31]	Reserves: 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	–	–	2,247	–	–	–	1,288	3,535
Other comprehensive income (loss)	–	–	–	–	(163)	(163)	111	(52)
Comprehensive income	–	–	2,247	–	(163)	(163)	1,399	3,483
Subordinate voting shares purchased and cancelled under Normal Course Issuer Bid [Note 20]	–	(244)	(339)	–	–	–	–	(583)
Dividends to shareholders								
Non-participating shares	–	–	(52)	–	–	–	–	(52)
Participating shares	–	–	(1,387)	–	–	–	–	(1,387)
Dividends to non-controlling interests	–	–	–	–	–	–	(1,019)	(1,019)
Expense for share-based compensation [Note 21]	–	–	–	66	–	66	34	100
Stock options exercised	–	42	–	(43)	–	(43)	39	38
Realized gains on FVOCI equity instruments transferred to retained earnings	–	–	21	–	(21)	(21)	–	–
Effects of changes in capital and ownership of subsidiaries, and other	–	–	134	7	14	21	(25)	130
Balance, end of year	950	9,284	10,005	408	1,496	1,904	19,122	41,265

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

For the year ended December 31, 2022 [in millions of Canadian dollars]	Share capital: Non-participating shares	Share capital: Participating shares	Retained earnings	Reserves: Share-based compensation	Reserves: Other comprehensive income [Note 31]	Reserves: 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	–	–	2,247	–	–	–	1,429	3,676
Other comprehensive loss	–	–	–	–	(686)	(686)	(79)	(765)
Comprehensive income	–	–	2,247	–	(686)	(686)	1,350	2,911
Subordinate voting shares purchased and cancelled under Normal Course Issuer Bid [Note 20]	–	(169)	(246)	–	–	–	–	(415)
Repurchase of shares of the Corporation for cancellation	(4)	–	–	–	–	–	–	(4)
Dividends to shareholders								
Non-participating shares	–	–	(52)	–	–	–	–	(52)
Participating shares	–	–	(1,326)	–	–	–	–	(1,326)
Dividends to non-controlling interests	–	–	–	–	–	–	(984)	(984)
Expense for share-based compensation [Note 21]	–	–	–	68	–	68	39	107
Stock options exercised	–	52	–	(49)	–	(49)	44	47
Reclassification of options as cash-settled share-based payments [Note 21]	–	–	(54)	(39)	–	(39)	–	(93)
Effects of changes in capital and ownership of subsidiaries, and other	–	–	10	2	36	38	20	68
Balance, end of year	950	9,486	9,099	378	1,963	2,341	18,703	40,579

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31 [in millions of Canadian dollars]	2023	2022 (restated)
Operating activities		
Earnings before income taxes from continuing and discontinued operations	3,768	4,329
Income tax paid, net of refunds	(720)	(711)
Adjusting items		
Change in insurance contract liabilities	9,316	(25,355)
Change in investment contract liabilities	(4,561)	(8,124)
Change in reinsurance contract held liabilities	170	(1,232)
Change in reinsurance contract held assets	5	5,614
Change in insurance contract assets	(480)	1,168
Changes in fair value through profit or loss	(6,664)	30,978
Lifeco's insurance and investment contract-related activities [1]		
Sales, maturities and repayments of investments	38,495	34,422
Purchases of investments	(35,176)	(37,499)
Other	1,780	664
	5,933	4,254
Financing activities		
Dividends paid		
By subsidiaries to non-controlling interests	(1,019)	(983)
Non-participating shares	(52)	(52)
Participating shares	(1,374)	(1,331)
	(2,445)	(2,366)
Issue of equity		
Corporation's subordinate voting shares [Note 20]	38	47
Subsidiaries' common shares	446	161
Issuance of investment funds' limited-life and redeemable units	434	534
Repurchase or redemption of equity		
Corporation's subordinate voting shares for cancellation under normal course issuer bid [Note 20]	(583)	(415)
Corporation's non-participating shares	–	(4)
Subsidiaries' common shares	(234)	(116)
Redemption of investment funds' limited-life and redeemable units	(137)	(18)
Acquisition of non-controlling interests [Note 22]	(50)	–
Non-recourse debentures and other debt instruments [Note 17]		
Issuance of debentures and senior bonds	300	691
Increase in other debt instruments	2,170	1,722
Repayment of senior bonds	(735)	–
Decrease in other debt instruments	(1,888)	(630)
Repayment of lease liabilities [Note 18]	(92)	(109)
Increase in obligations to securitization entities	1,256	1,171
Repayments of obligations to securitization entities and other	(1,283)	(1,616)
	(2,803)	(948)
Investing activities		
Sales maturities and repayment of investments [1]	3,374	4,161
Purchases of investments [1]	(3,362)	(4,100)
Investments in jointly controlled corporations and associates	(1,209)	(265)
Business acquisitions, net of cash and cash equivalents acquired	(253)	(2,242)
Acquisition of capital assets, properties and other	(1,171)	(804)
	(2,621)	(3,250)
Effect of changes in exchange rates on cash and cash equivalents	(45)	283
Increase in cash and cash equivalents	464	339
Cash and cash equivalents, beginning of year	9,848	9,509
Cash and cash equivalents from continuing and discontinued operations, end of year	10,312	9,848
Less: Cash and cash equivalents from discontinued operations, end of year [Note 4]	(375)	–
Cash and cash equivalents from continuing operations, end of year	9,937	9,848
Net cash from operating activities includes		
Interest and dividends received	8,301	6,511
Interest paid	965	734

[1] The cash flows related to the sales, maturities repayments and purchases of investments primarily associated with the insurance and investment contract activities at Lifeco have been reclassified to Operating activities to better represent the operating cash flows of the Corporation. These activities had previously been presented in Investing activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

The following abbreviations are used in these Consolidated Financial Statements:

Canada Life	The Canada Life Assurance Company
ChinaAMC	China Asset Management Co., Ltd.
CSM	Contractual service margin
Empower	Empower Annuity Insurance Company of America
FVOCI	Fair value through other comprehensive income
FVPL	Fair value through profit or loss
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.
LMPG	LMPG Inc.
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
Pargesa	Pargesa SA
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
Potentia	Potentia Renewables Inc.
Power Corporation or the Corporation	Power Corporation of Canada
Power Financial	Power Financial Corporation
Power Sustainable	Power Sustainable Capital Inc.
Power Sustainable Energy Infrastructure	Power Sustainable Energy Infrastructure Partnership
Prudential	Prudential Financial, Inc.
Putnam	Putnam Investments, LLC
Rockefeller	Rockefeller Capital Management
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 Consolidated Financial Statements (financial statements) of Power Corporation as at and for the year ended December 31, 2023 were approved by its Board of Directors on March 20, 2024.

NOTE 2 BASIS OF PRESENTATION AND SUMMARY OF MATERIAL ACCOUNTING POLICIES

BASIS OF PRESENTATION

The financial statements of Power Corporation as at December 31, 2023 have been prepared in accordance with International Financial Reporting Standards.

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 year ended December 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.

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 FVPL.

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:

Corporation	Classification	Incorporated in	Primary business operation	% equity interest December 31, 2023	% equity interest 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	70.5	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	95.6	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
Rockefeller Capital Management	Associate	United States	Financial services	20.5	–
Parjointco SA	Joint control	Belgium	Holding company	50.0	50.0
Groupe Bruxelles Lambert [6]	Subsidiary	Belgium	Holding company	31.0	29.8
Alternative asset investment platforms and other					
Power Sustainable Capital Inc.	Subsidiary	Canada	Holding company	100.0	100.0
Power Sustainable Manager Inc.	Subsidiary	Canada	Alternative asset manager	100.0	100.0
Power Sustainable Energy Infrastructure Partnership [7]	Subsidiary	Canada	Renewable energy fund	52.9	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	66.4	87.8
Wealthsimple Financial Corp. [9]	Subsidiary	Canada	Financial services	56.6	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
Standalone Businesses					
LMPG Inc.	Subsidiary	Canada	Lighting solutions	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	34.1	35.4

[1] Power Financial holds a 68.1% 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 95.6% of the total outstanding shares (96.4% at December 31, 2022). On January 1, 2024, Lifeco completed the sale of its interest in Putnam US Holdings I, LLC, a subsidiary of Putnam Investments, LLC (Note 4).

[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 a 45.3% voting interest (44.0% at December 31, 2022).

[7] Power Corporation holds a 38.2% equity interest and Lifeco holds a 14.7% 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 53.5% and 12.9%, respectively, in Sagard Holdings Management Inc. (80.9% and 6.9%, respectively, at December 31, 2022) (Note 4).

[9] Power Financial, Portage Ventures I and IGM Financial hold an equity interest of 14.4%, 10.9% and 31.3%, 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 as 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.

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 policies materially impacted by the adoption of IFRS 17 and IFRS 9 are described in the section Material Accounting Policies below and include investments, derivative financial instruments, and insurance contracts, investment contracts and reinsurance contracts held. The impact resulting from the adoption of these standards is disclosed in Note 3.

The Corporation 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.

The Corporation adopted the amendments to IFRS for IAS 12, *Income Taxes* effective May 23, 2023, and has applied the mandatory exception whereby it is not recognizing and disclosing information about deferred tax assets and liabilities related to income taxes arising from tax law to implement the Pillar Two model rules published by the Organization for Economic Co-operation and Development (OECD).

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 the management of its subsidiaries are listed below and are discussed throughout the notes in these financial statements, including:

Item or balance affected by judgments or estimates	Applied by	Key judgments or estimates	Corresponding note(s)
Evaluation of control	Management of the Corporation and of its subsidiaries	Determining if the Corporation has the ability to direct the relevant activities of the subsidiaries, including investment funds or other structured entities, in order to derive variable returns. Judgment is exercised in evaluating the variable returns and in determining the extent to which the Corporation has the ability to exercise power to affect variable returns. Determining whether the Corporation is a principal or an agent when the Corporation or its subsidiaries act as a fund manager and also invest in the fund. The Corporation determines that it is a principal when it has sufficient capital invested and exposure to variability of returns generated as a result of the decisions of the Corporation or its subsidiaries as a fund manager. Judgment is applied in determining the sufficiency of the variability of returns and overall aggregate economic interest. In making these judgments, the Corporation considers the rights held by other investors, including their ability to remove the fund manager.	2
Fair value of assets acquired and liabilities assumed	Management of the Corporation and of its subsidiaries	Determining the fair value of assets acquired and liabilities assumed in a business combination requires judgment.	4
Assets and liabilities held for sale	Management of Lifeco	Judgment is required in determining the assets and liabilities to be included in a disposal group. Estimation is required in the determination of the fair value for disposal groups, including contingent consideration and costs to sell.	4
Evaluation of significant influence and joint control	Management of the Corporation and of its subsidiaries	Determining if the Corporation exercises significant influence over the entity's operating and financing policies, or if unanimous consent is required for decisions relating to relevant activities.	2, 7
Classification of insurance and reinsurance contracts	Management of Lifeco	Determining whether arrangements should be accounted for as insurance, investment or service contracts.	2
Valuation of insurance and certain investment contract liabilities	Management of Lifeco	Determining the actuarial assumptions, including mortality, longevity, morbidity, expense and policyholder behaviour.	11, 13
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.	n/a

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	Corresponding note(s)
Amounts payable to a policyholder	Management of Lifeco	All terms of contracts issued are considered to determine whether there are amounts payable to the policyholder in all circumstances, regardless of contract cancellation, maturity, and the occurrence or non-occurrence of an insured event. Some amounts, once paid by the policyholder, are repayable to the policyholder in all circumstances. Such payments are considered to meet the definition of an investment component, irrespective of whether the amount repayable varies over the term of the contract, as the amount is repayable only after it has first been paid by the policyholder.	n/a
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.	11
Risk adjustment for non-financial risk	Management of Lifeco	Judgment is required in reflecting diversification and calculating the confidence level.	11, 12
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 and subsequently, 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.	11, 12
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.	3
Fair value approach to insurance contracts at transition	Management of Lifeco	Judgment is required in determining which insurance contracts to apply the fair value approach to upon transition to IFRS 17, and significant judgment is applied in determining the critical assumptions and estimates in determining the fair value for these contracts.	3
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.	6, 24
Fair value of financial instruments	Management of the Corporation and of its subsidiaries	Determining fair value inputs to establish the fair value of financial instruments, particularly those items categorized within Level 3 of the fair value hierarchy.	30

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	Corresponding note(s)
Fair value of equity-release mortgages	Management of Lifeco	Internal valuation models are used to determine the fair value of equity-release mortgages. These valuations are adjusted by applying management judgments and estimates for material changes in projected asset cash flows and discount rates.	6, 30
Fair value of investment properties	Management of Lifeco	Independent qualified appraisal services are used to determine the fair value of investment properties, which use assumptions that include judgments and estimates. These appraisals are adjusted by applying management's judgments and estimates for material changes in property cash flows, capital expenditures or general market conditions.	6, 30
Initial recognition and measurement of goodwill and intangible assets, as well as subsequent measurement	Management of the Corporation and of its subsidiaries	Evaluating the synergies and future benefits in business combinations for initial recognition and measurement of goodwill and intangible assets as well as determining the recoverable amount. The determination of the recoverable amount of the cash generating units (to which goodwill and intangible assets are assigned) relies upon valuation methodologies that require the use of estimates.	4, 10
Determination of cash generating unit groupings	Management of the Corporation and of its subsidiaries	Determining the cash generating unit groupings as the lowest level at which the assets are monitored for internal reporting purposes.	10
Measurement of the pension plans and other post-employment benefit obligations	Management of the Corporation and of its subsidiaries	Determining the actuarial assumptions used to determine the expense for the current year and defined benefit obligations for pension plans and other post-employment benefits. In evaluating the assumptions to be used, management reviews the previous experience of related plan members and market conditions, including interest rates and inflation rates.	28
Recognition and measurement of tax provisions and tax assets and liabilities	Management of the Corporation and of its subsidiaries	Interpreting the relevant tax laws, regulations and legislation where the Corporation and its subsidiaries operate to determine the tax provisions and the carrying amounts of the tax assets and liabilities.	19
Recoverability of deferred tax asset carrying values	Management of the Corporation and of its subsidiaries	Assessing the recoverability of the deferred tax asset carrying values based on future years' taxable income projections.	19
Recognition and measurement of legal and other provisions	Management of the Corporation and of its subsidiaries	Assessing whether a past event will result in a probable outflow of economic resources to settle the obligation. Judgment is applied in evaluating the possible outcomes and risks to determine the best estimate of the provision at the balance sheet date.	34
Derecognition of securitization mortgages	Management of IGM	Determining whether securitized mortgages are derecognized requires judgment with respect to the extent to which the risks and rewards of ownership are transferred.	15
Classification of revenues and expenses in sub-advisor arrangements	Management of Lifeco	Determining whether Lifeco retains the primary obligation with a client in sub-advisor arrangements. Where Lifeco retains the primary obligation to the client, revenues and expenses are recorded on a gross basis.	n/a

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	Corresponding note(s)
Deferred selling commissions	Management of IGM	Determining whether the client or the fund is the customer, as well as the assessment of the recoverability of the deferred selling commissions.	9
Deferred acquisition costs	Management of Lifeco	Determining whether deferred acquisition costs can be recognized on the consolidated balance sheets. Deferred acquisition costs are recognized if Lifeco's management determines the costs meet the definition of an asset, are incremental and related to the issuance of the investment contract.	9
Classification of non-controlling interests in limited-life fund units and redeemable fund units	Management of the Corporation and of its subsidiaries	Determining if non-controlling interests in funds are classified as liabilities or equity depends on whether an obligation exists to distribute residual net assets to non-controlling interests in the form of cash or another financial asset or assets delivered in kind. Judgment is used to determine what the governing documents of each entity require or permit in this regard.	18

The results of the Corporation reflect management of the Corporation and of its subsidiaries' judgments regarding the impact of prevailing global credit, equity and foreign exchange market conditions. The Corporation and its subsidiaries' practice is to use third-party independent credit ratings where available. Judgment is required when setting credit ratings for instruments that do not have a third-party rating.

MATERIAL ACCOUNTING POLICIES

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, current operating accounts, overnight bank and term deposits and fixed income securities with an original term to maturity of three months or less. Overdraft bank balances are included in other liabilities.

INVESTMENTS

Investments include bonds, mortgage and other loans, shares, and investment properties.

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.

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.

Investments in mortgage and other loans are initially classified with respect to the intent of the loan on origination.

Investment properties consist of real estate held to earn rental income or for capital appreciation that has an insignificant portion that is owner-occupied or where there is no intent to occupy on a long-term basis. Properties that do not meet these criteria are classified as owner-occupied properties. Investment properties are initially measured at cost and subsequently carried at fair value on the balance sheets. Changes in fair value are recorded as net investment income in the statements of earnings.

Fair Value Measurement

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

BONDS AT FVPL AND FVOCI

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.

MORTGAGE AND OTHER LOANS AT FVPL AND FVOCI

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 FVPL

There are no market-observable prices for equity-release mortgages; Lifeco uses an internal valuation model for 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.

NOTE 2 **BASIS OF PRESENTATION AND SUMMARY OF MATERIAL ACCOUNTING POLICIES** (continued)

SHARES AT FVPL AND FVOCI

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 dates to measure shares at fair value.

INVESTMENT PROPERTIES

Fair values of investment properties are determined using independent qualified appraisal services and include adjustments by Lifeco management for material changes in property cash flows, capital expenditures or general market conditions in the interim period between appraisals. The determination of the fair value of investment properties requires the use of estimates including 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 conditions. Investment properties under construction are valued at fair value if such values can be reliably determined; otherwise, they are recorded at cost.

Net Investment Income

Interest income is accounted for on an accrual basis using the effective interest method for bonds and mortgage and other loans.

Dividend income is recognized when the right to receive payment is established. This is the ex-dividend date for listed shares and usually the notification date or date when the board of directors has approved the dividend for private equity instruments.

Investment property income includes rents earned from tenants under lease agreements and property tax and operating cost recoveries. Leases with contractual rent increases and rent-free periods are recognized on a straight-line basis over the term of the lease.

Interest income, dividend income and investment property income are recorded in net investment income in the statements of earnings.

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 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 Corporation and its subsidiaries monitor all financial assets that are subject to impairment for significant increases in credit risk. In making this assessment, the Corporation and its subsidiaries consider both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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.

NOTE 2 **BASIS OF PRESENTATION AND SUMMARY OF MATERIAL ACCOUNTING POLICIES** (continued)

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.

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.

MODIFIED FINANCIAL ASSETS

The contractual terms of a financial asset may be modified for a number of reasons, including changing market conditions and other factors not related to a current or potential credit deterioration of the borrower. An existing financial asset whose terms have been modified may be derecognized and the renegotiated asset recognized as a new financial asset at fair value in accordance with the Corporation's accounting policies.

If modification does not result in derecognition, the financial asset continues to be subject to the assessment for significant increase in credit risk relative to initial recognition. Expected cash flows arising from the modified contractual terms are considered when calculating the ECL for the modified asset. For loans that were modified while having lifetime ECLs, such loans can revert to having 12-month ECLs if the borrower's financial condition improves.

DEFINITION OF DEFAULT

The definition of default used in the measurement of ECL is consistent with the definition used for the Corporation and its subsidiaries' internal credit risk management purposes. A financial asset is considered to be in default when the issuer is unlikely to meet its credit obligations in full or when it is 90 days past due. The definition of default may differ across financial assets and considers qualitative factors, such as financial covenants and other indicators of financial distress, as well as quantitative factors, such as non-payment of other obligations by the same issuer. Lifeco uses data from internal and external sources when assessing whether an asset is in default.

Securities Lending

Lifeco engages in securities lending through its securities custodians as lending agents. Loaned securities are not derecognized, and continue to be reported within investments, as Lifeco retains substantial risks and rewards and economic benefits related to the loaned securities.

TRANSACTION COSTS

Transaction costs related to financial instruments classified as FVPL are expensed as incurred. Transaction costs related to financial instruments classified as FVOCI are included in the value of the instrument at acquisition. Transaction costs for all other classifications of financial instruments are included in the value of the instrument at acquisition and taken into net earnings using the effective interest method for fixed income instruments or when sold for equity instruments.

FEE INCOME AND OTHER REVENUES

Lifeco

Fee income primarily includes fees earned from the management of investment contracts on account of segregated fund policyholders, proprietary mutual fund assets, record keeping, fees earned on administrative-services-only Group health contracts, commissions and fees earned from management services. Fee income is recognized on the transfer of services to customers for the amount that reflects the consideration expected to be received in exchange for those services promised.

Lifeco has sub-advisor arrangements where Lifeco retains the primary obligation with the client. As a result, fee income earned is reported on a gross basis, with the corresponding sub-advisor expense recorded in operating and administrative expenses.

IGM Financial

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

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

Wealth and asset management revenue is included in fee income in the statements of earnings.

Other Subsidiaries

Revenues from contracts with customers are recognized by other subsidiaries when control of the goods or services is transferred to the customer for the amount that reflects the consideration which the subsidiary expects to receive in exchange for the goods or services.

Revenues from electricity sales are recognized when the electricity is delivered at the customer's connection point and there is no unfulfilled obligation that could affect the customer's acceptance of the electricity. Revenues from electricity sales are included in other revenues in the statements of earnings.

Management fee revenues earned by the asset management subsidiaries, which manage assets on behalf of investors, include:

- Revenues from asset managers: Management fees are earned in accordance with contractual arrangements with investment funds based on the committed or invested capital and are accrued as services are performed.
- Revenues from investment management businesses: Management fee revenues are recognized based on daily management services provided to investors as the performance obligation is satisfied.

Carried interest is a performance fee arrangement in which the alternative asset manager receives a percentage of investment returns, generated within an investment fund on carry-eligible capital, based on a contractual formula. Carried interest revenue is recognized when an investment fund's cumulative returns are in excess of preferred returns and when it is highly probable that a significant reversal will not occur.

Management fees and carried interest revenue are included in fee income in the statements of earnings.

OWNER-OCCUPIED PROPERTIES AND CAPITAL ASSETS

Owner-occupied properties and capital assets include right-of-use assets.

Owner-occupied properties and capital assets are carried at cost less accumulated depreciation, disposals and impairments. Capital assets include equipment, renewable power generating assets, furniture and fixtures. Owner-occupied properties and capital assets are depreciated using the straight-line method, over their estimated useful lives, as follows: i) owner-occupied properties (10 to 50 years); and ii) capital assets (3 to 30 years).

Right-of-use assets are depreciated to the earlier of the end of the estimated useful life of the right-of-use asset or the end of the lease term using the straight-line method. Depreciation expense is included within operating and administration expenses.

Depreciation methods, useful lives and residual values are reviewed at least annually and adjusted if necessary. Owner-occupied properties and capital assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

LEASES

At inception of a contract, the Corporation and its subsidiaries assess whether a contract is or contains a lease. The Corporation and its subsidiaries recognize a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. Right-of-use assets are included within owner-occupied properties and capital assets, with the exception of right-of-use assets that meet the definition of investment property, which are presented within investment properties and subject to the Corporation's associated accounting policy.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Corporation's or its subsidiaries' incremental borrowing rate. Generally, the incremental borrowing rate is used. The lease liability is measured at amortized cost using the effective interest method and is included within other liabilities. Interest expense on lease liabilities is included within financing charges.

The Corporation and its subsidiaries do not recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the term within operating and administrative expenses.

Where the Corporation and its subsidiaries are the lessor under an operating lease for its investment property, the assets subject to the lease arrangement are presented within the balance sheets. Income from these leases is recognized in the statements of earnings on a straight-line basis over the lease term.

Leases that transfer substantially all the risks and rewards of ownership to the lessee are classified as finance leases. Where the Corporation and its subsidiaries are the lessor under a finance lease, the investment is recognized as a receivable at an amount equal to the net investment in the lease, which is the present value of the minimum lease payments due from the lessee presented within the balance sheets. Payments received from the lessee are apportioned between the recognition of finance lease income and the reduction of the finance lease receivable. Income from the finance leases is recognized in the statements of earnings at a constant periodic rate of return on net investment in the finance lease.

NOTE 2 **BASIS OF PRESENTATION AND SUMMARY OF MATERIAL ACCOUNTING POLICIES** (continued)

OTHER ASSETS

Other assets include accounts receivable and interest receivable, client funds on deposit, trading account assets, deferred acquisition costs, deferred selling commissions, prepaid expenses, and other miscellaneous assets which are measured at amortized cost.

Trading account assets consist of investments in sponsored funds, open-ended investment companies and sponsored unit trusts, which are carried at fair value based on the net asset value of these funds.

Client funds on deposit represent cash balances held in client accounts deposited primarily at Canadian financial institutions.

Deferred Acquisition Costs

Deferred acquisition costs related to investment contracts and service contracts are recognized as assets if the costs are incremental and incurred due to the contract being issued. Deferred acquisition costs are amortized on a straight-line basis over the term of the contract, not exceeding 20 years.

Deferred Selling Commissions

Commissions are paid on investment product sales where a fee is either received directly from the client or is received directly from the investment fund.

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

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

ASSETS AND LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS

Disposal groups are classified as held for sale when it has been determined that the carrying amount will be recovered through a sale transaction rather than continuing use. The disposal group is measured at the lower of its carrying amount and fair value less cost to sell. Individual assets and liabilities in a disposal group not subject to these measurement requirements include financial assets, investment properties and insurance contract liabilities. These assets and liabilities are measured in accordance with the relevant accounting policies described for those assets and liabilities included in this note before the disposal group as a whole is measured at the lower of its carrying amount and fair value less cost to sell. Any impairment loss for the disposal group is recognized as a reduction to the carrying amount for the portion of the disposal group under the measurement requirements for IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*.

Disposal group assets and liabilities classified as held for sale are presented separately on the balance sheets. Gains and losses from disposal groups held for sale are presented separately in the statement of earnings.

A disposal group qualifies as a discontinued operation if it is a component of an entity for which operations and cash flows can be clearly distinguished from the rest of the corporation, that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal and when the operation meets the criteria to be classified as held for sale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount in net earnings (loss) from discontinued operations in the statements of earnings and the comparative statements of earnings is re-presented as if the operation had been discontinued from the beginning of the comparative year.

BUSINESS COMBINATIONS, GOODWILL AND INTANGIBLE ASSETS

Business combinations are accounted for using the acquisition method. Goodwill represents the excess of purchase consideration over the fair value of net assets acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Intangible assets comprise finite life and indefinite life intangible assets. Finite life intangible assets include the value of technology and software, certain customer contracts and power purchase agreements. Intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives as follows: i) technology and software (3 to 10 years); ii) customer contract-related (7 to 30 years); and iii) power purchase agreements (20 years).

Indefinite life intangible assets include brands, trademarks and trade names, certain customer contracts, mutual fund management contracts and the shareholders' portion of acquired future participating account profit. Amounts are classified as indefinite life intangible assets based on an analysis of all the relevant factors, and when there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. The identification of indefinite life intangible assets is made by reference to relevant factors such as product life cycles, potential obsolescence, industry stability and competitive position. Following initial recognition, indefinite life intangible assets are measured at cost less accumulated impairment losses.

Impairment Testing

Goodwill and indefinite life intangible assets, including those resulting from an acquisition during the year, are tested for impairment annually or more frequently if events indicate that impairment may have occurred. Indefinite life intangible assets that were previously impaired are reviewed at each reporting date for evidence of reversal.

Goodwill and indefinite life intangible assets have been allocated to cash generating units or to groups of cash generating units (CGUs), representing the lowest level that the assets are monitored for internal reporting purposes. Goodwill and indefinite life intangible assets are tested for impairment by comparing the carrying value of the CGUs to the recoverable amount of the CGUs to which the goodwill and indefinite life intangible assets have been allocated.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less cost of disposal or value in use, which is calculated using the present value of the estimated future cash flows expected to be generated.

Finite life intangible assets are reviewed at least annually to determine if there are indicators of impairment and the amortization period and method are reviewed and adjusted if necessary. If indicators of impairment have been identified, a test for impairment is performed and impairment is recognized as necessary.

SEGREGATED FUNDS

Segregated fund assets and liabilities arise from contracts where all financial risks associated with the related assets are borne by policyholders and are presented separately in the balance sheets. The assets and liabilities are set equal to the fair value of the underlying asset portfolio. Segregated fund contacts are classified as insurance contracts or investment contracts following the classification criteria described in the accounting policy for insurance contracts, investment contracts and reinsurance contracts held. Investment income and changes in fair value of the segregated fund assets are offset by corresponding changes in the segregated fund liabilities. Guarantees on the segregated fund products are accounted for within insurance contract liabilities on the balance sheets.

INSURANCE CONTRACTS, INVESTMENT CONTRACTS AND REINSURANCE CONTRACTS HELD

Contract Classification

INSURANCE CONTRACTS

Under IFRS 17, 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.

INVESTMENT CONTRACTS

In the absence of significant insurance risk, Lifeco classifies contracts as investment contracts or service contracts. Investment contracts with discretionary participating features are accounted for in accordance with IFRS 17 and investment contracts without discretionary participating features are accounted for in accordance with IFRS 9. Lifeco has not classified any contracts as investment contracts with discretionary participating features.

Investment contracts may be reclassified as insurance contracts after inception if insurance risk becomes significant. A contract that is classified as an insurance contract at contract inception remains as such until all rights and obligations under the contract are extinguished or expire. Investment contracts are contracts that carry financial risk, which is the risk of a possible future change in one or more of the following: interest rate, commodity price, foreign exchange rate, or credit rating. Refer to Note 24 for a discussion of Lifeco's risk management.

Investment contracts are measured at FVPL in order to eliminate or significantly reduce an accounting mismatch that would otherwise arise from measuring the assets that back the contract on different bases.

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.

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, contracts that have no significant possibility of becoming onerous subsequently, and all other profitable 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. Lifeco has not identified any groups of insurance contracts that have no significant possibility of becoming onerous subsequently.

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.

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.

NOTE 2 **BASIS OF PRESENTATION AND SUMMARY OF MATERIAL ACCOUNTING POLICIES** (continued)

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' 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 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.

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; 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 the 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).

NOTE 2 BASIS OF PRESENTATION AND SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

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. The allowance for credit risk in the discount rate varies depending on the credit rating, sector and term of the assets reflected in the discount rate. The allowance is estimated based on historic credit experience and prevailing market conditions. For example, if there is a significant widening of market credit spreads, an additional allowance for credit risk to reduce the discount rate may be required to reflect prevailing market conditions. 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. Non-financial risks are insurance risks such as life mortality, annuity mortality and morbidity, and other risks such as expense and lapse. The risk adjustment is calculated by applying a margin to non-financial assumptions and discounting the resulting margin cash flows at the same discount rates as the best estimate cash flows. The margins applied reflect diversification benefits across all non-financial risks. Lifeco's target range for the confidence level of the risk adjustment is between the 85th and 90th percentile, and the risk adjustment is currently within the target range. The confidence level is determined on a net-of-reinsurance basis.

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 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 foreign 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.

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 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;
- 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 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;
- 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 CSM, 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 CSM, 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 foreign 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 and reinsurance contracts held. 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.

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 PAA 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 PAA 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 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 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 PAA 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 PAA 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 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, Lifeco has elected not to discount the liability for incurred claims.

Measurement of Reinsurance Contracts Held

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.

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.

NOTE 2 BASIS OF PRESENTATION AND SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

PREMIUM ALLOCATION APPROACH

Lifeco 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

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.

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.

Measurement of Investment Contracts

Investment contracts are recognized when Lifeco becomes a party to the contractual provisions of the contract. At recognition, Lifeco measures an investment contract at its fair value. Transaction costs that are incremental and directly attributable to the acquisition or issue of the investment contract are expensed as incurred.

When the fair value of the investment contract differs from the transaction price on initial recognition, Lifeco recognizes the difference as follows:

- When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e., a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognized as a gain or loss.
- In all other cases, the difference is deferred, and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortized over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs or realized through settlement.

Investment contracts are subsequently measured at FVPL where the fair value is set to the higher of the market value of the assets supporting the liability balance and the result of discounting risk-adjusted cash flows rates derived from a reference portfolio or stochastic modelling. Lifeco's main valuation techniques incorporate all factors that market participants would consider and make maximum use of observable market data.

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 comprises 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.

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 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.

NOTE 2 BASIS OF PRESENTATION AND SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

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 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.

DERECOGNITION OF SECURITIZED MORTGAGES

IGM enters into transactions where it transfers financial assets recognized on its balance sheets. The determination of whether the financial assets are derecognized is based on the extent to which the risks and rewards of ownership are transferred.

If substantially all of the risks and rewards of a financial asset are not retained, IGM derecognizes the financial asset. The gains or losses and the servicing fee revenue for financial assets that are derecognized are reported in net investment income in the statements of earnings.

If all or substantially all risks and rewards are retained, the financial assets are not derecognized and the transactions are accounted for as secured financing transactions.

DEBENTURES AND OTHER DEBT INSTRUMENTS

Debentures and other debt instruments, including capital trust debentures, are initially recorded on the balance sheets at fair value and subsequently carried at amortized cost using the effective interest method with amortization expense recorded in financing charges in the statements of earnings. These liabilities are derecognized when the obligation is expired, cancelled or redeemed.

OTHER LIABILITIES

Other liabilities include accounts payable, bank overdraft, dividends and interest payable, lease liabilities, deferred income reserves, deposits and certificates and other miscellaneous liabilities which are measured at amortized cost. Deferred income reserves related to investment contracts are amortized on a straight-line basis to recognize the initial policy fees over the policy term, not exceeding 20 years.

Provisions are recognized within other liabilities when the Corporation or its subsidiaries have a present obligation, either legal or constructive, as a result of a past event, and it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the amount. Provisions are measured based on management of the Corporation and of its subsidiaries' best estimate at the balance sheet date. The Corporation recognizes a provision for restructuring when a detailed formal plan for the restructuring has been established and the plan has raised a valid expectation in those affected that the restructuring will occur.

Limited-life fund units represent the interest held by third parties in funds consolidated by the Corporation. These fund units have a defined maximum fixed life where the Corporation has an obligation to distribute the residual interests of the fund to fund partners based on their proportionate share of the fund's equity in the form of cash or other financial assets at the end of the fund's life. Redeemable fund units represent interests held by third parties in funds consolidated by the Corporation that have a redemption feature that requires the fund to deliver cash or other financial assets to the holders of the units upon receiving a redemption notice. Limited-life funds and redeemable fund units are classified as financial liabilities and recorded at fair value. Changes in the value are recorded in operating and administrative expenses in the statements of earnings in the period of the change.

PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS

The Corporation and its subsidiaries maintain funded defined benefit pension plans for eligible employees and advisors, unfunded supplementary employee retirement plans (SERP) for eligible employees, and unfunded post-employment health, dental and life insurance benefits to eligible employees, advisors and their dependants. The Corporation and its subsidiaries also maintain defined contribution pension plans for eligible employees and advisors.

The defined benefit pension plans provide pensions based on length of service and final average earnings. Expenses for defined benefit plans are actuarially determined using the projected unit credit method prorated on service, based upon management of the Corporation and of its subsidiaries' assumptions about discount rates, compensation increases, retirement ages of employees, mortality and expected health care costs. Any changes in these assumptions will impact the carrying amount of the pension benefit asset (liability). The Corporation and its subsidiaries' accrued benefit asset (liability) in respect to defined benefit plans is calculated separately for each plan by discounting the amount of the benefit that employees have earned in return for their service in current and prior periods and deducting the fair value of any plan assets.

The Corporation and its subsidiaries determine the net interest component of the pension expense for the period by applying the discount rate used to measure the accrued benefit asset (liability) at the beginning of the annual period to the net accrued benefit asset (liability). The discount rate used to value assets or liabilities is determined by reference to market yields on high-quality corporate bonds.

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

Net interest costs, administration expenses, current service costs, past service costs and curtailment and settlement gains or losses are recognized in operating and administrative expenses in the statements of earnings.

Remeasurements represent actuarial gains and losses, the actual return on plan assets greater (less) than interest income, and changes in the asset ceiling. Remeasurements are recognized immediately through other comprehensive income and are not subsequently reclassified to net earnings.

The accrued benefit asset (liability) represents the plan surplus (deficit) and is included in other assets (other liabilities).

Contributions to the defined contribution plans are expensed as incurred.

INCOME TAXES

The income tax expense for the period represents the sum of current income tax and deferred income tax. Income tax is recognized as an expense or recovery in the statements of earnings, except to the extent that it relates to items that are not recognized in the statements of earnings (whether in other comprehensive income or directly in equity), in which case the income tax is also recognized in other comprehensive income or directly in equity.

Current Income Tax

Current income tax is based on taxable income for the year. Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the taxation authorities using the rates that have been enacted or substantively enacted at the balance sheet date in each respective jurisdiction. Current tax assets and current tax liabilities are offset, if a legally enforceable right exists to offset the recognized amounts and the entity intends either to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

A provision for tax treatment uncertainties which meet the probable threshold for recognition is measured using either the most likely amount or the expected value, depending upon which method provides the better prediction of the resolution of the uncertainty. The provision for tax uncertainties will be classified as current or deferred based on how a disallowance of the underlying uncertain tax treatment would impact the tax provision accrual as of the balance sheet date.

Deferred Income Tax

Deferred income tax is the tax expected to be payable or recoverable on differences arising between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable income and on unused tax attributes, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences and unused tax attributes can be utilized.

NOTE 2 BASIS OF PRESENTATION AND SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Recognition of deferred tax assets is based on the fact that it is probable that the entity will have taxable profits and/or tax planning opportunities available to allow the deferred tax asset to be utilized. Changes in circumstances in future periods may adversely impact the assessment of the recoverability. The uncertainty of the recoverability is taken into account in establishing the deferred tax assets. The Corporation and its subsidiaries' financial planning process provides a basis for the measurement of deferred tax assets.

Deferred tax assets and liabilities are measured at the tax rates expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to net current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries, jointly controlled corporations and associates, except where the group controls the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

The Corporation applied the mandatory exception in IAS 12 whereby it is not recognizing and disclosing information about deferred tax assets and liabilities related to income taxes arising from tax law to implement the Pillar Two model rules published by the OECD.

DERIVATIVE FINANCIAL INSTRUMENTS

The Corporation and its subsidiaries use derivative products as risk management instruments to hedge or manage revenues and asset, liability and capital positions. The Corporation and its subsidiaries' policies prohibit the use of derivative instruments for speculative trading purposes.

Derivatives are measured at fair value and recorded on the balance sheets. The method of recognizing unrealized and realized fair value gains and losses depends on whether the derivatives are designated as hedging instruments. For derivatives that are not designated as hedging instruments, unrealized and realized gains and losses are recorded in net investment income in the statements of earnings. For derivatives designated as hedging instruments, unrealized and realized gains and losses are recognized according to the nature of the hedged item.

Derivatives are valued using market transactions and other market evidence whenever possible, including market-based inputs to models, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency. When models are used, the selection of a particular model to value a derivative depends on the contractual terms of, and specific risks inherent in, the instrument, as well as the availability of pricing information in the market. The Corporation and its subsidiaries generally use similar models to value similar instruments. Valuation models require a variety of inputs, including contractual terms, market prices and rates, yield curves, credit curves, measures of volatility, prepayment rates and correlations of such inputs.

To qualify for hedge accounting, the relationship between the hedged item and the hedging instrument must meet several strict conditions on documentation, probability of occurrence, hedge effectiveness and reliability of measurement. If these conditions are not met, then the relationship does not qualify for hedge accounting treatment and both the hedged item and the hedging instrument are reported independently, as if there was no hedging relationship.

Where a hedging relationship exists, the Corporation and its subsidiaries document all relationships between hedging instruments and hedged items, as well as their risk management objectives and strategy for undertaking various hedge transactions. This process includes linking derivatives that are used in hedging transactions to specific assets and liabilities on the balance sheets or to specific firm commitments or forecasted transactions. The Corporation and its subsidiaries also assess, both at the hedge's inception and on an ongoing basis, whether derivatives that are used in hedging transactions are effective in offsetting change in fair values or cash flows of hedged items. Hedge effectiveness is reviewed quarterly through correlation testing. Hedge accounting is discontinued when the hedge no longer qualifies for hedge accounting.

Fair Value Hedges

Fair value hedges are used to manage the exposure to change in fair value of a recognized asset or liability or an unrecognized firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss. For fair value hedges, change in fair value of both the hedging instrument and the hedged item are recorded in net investment income and consequently any ineffective portion of the hedge is recorded immediately in net investment income.

Cash Flow Hedges

Cash flow hedges are used to manage the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction and could affect profit or loss. For cash flow hedges, the effective portion of the change in fair value of the hedging instrument is recorded in other comprehensive income, while the ineffective portion is recognized immediately in net investment income. Gains and losses on cash flow hedges that accumulate in other comprehensive income are recorded in net earnings in the same period the hedged item affects net earnings. Gains and losses on cash flow hedges are immediately reclassified from other comprehensive income to net investment income if and when a forecasted transaction is no longer expected to occur.

Net Investment Hedges

Net investment hedges are used to manage the exposure to changes in the reporting entity's share in the net share of a foreign operation. For net investment hedges, the effective portion of changes in the fair value of the hedging instrument is recorded in other comprehensive income while the ineffective portion is recognized immediately in net investment income. The unrealized foreign exchange gains (losses) on the instruments are recorded within other comprehensive income and will be reclassified into net earnings when the investments are derecognized.

EQUITY

Preferred shares are classified as equity if they are non-redeemable or if they are retractable only at the Corporation's option and if any dividends are discretionary. Costs that are directly attributable to the issue of share capital are recognized as a reduction from retained earnings, net of income tax.

Reserves are composed of share-based compensation and other comprehensive income. Share-based compensation reserve represents the vesting of options less options exercised. Other comprehensive income represents the total of the unrealized foreign exchange gains (losses) on translation of foreign operations, the unrealized gains (losses) on hedges of the net investment in foreign operations, the actuarial gains (losses) on defined benefit pension plans, the unrealized gains (losses) on FVOCI equity instruments, the unrealized gains (losses) on cash flow hedges, the re-evaluation surplus on transfer to investment properties and the share of other comprehensive income of jointly controlled corporations and associates.

Non-controlling interests represent the proportion of equity that is attributable to minority shareholders of subsidiaries.

Limited Recourse Capital Notes

Limited recourse capital notes issued by Lifeco are classified as non-controlling interests in the financial statements. Lifeco has the sole discretion to settle the obligation to noteholders through the issuance of a fixed number of Lifeco's equity instruments. Transaction costs incurred in connection with the issuance are charged to equity.

SHARE-BASED PAYMENTS

Options granted to employees of the Corporation and its subsidiaries are measured at fair value on the date of the grant. Compensation expense for equity-settled options is recognized in operating and administrative expenses in the statements of earnings over the vesting period of the granted options, with a corresponding increase in share-based compensation reserve. When the stock options are exercised, the proceeds received, together with the amount recorded in share-based compensation reserve, are included in the share capital of the entity issuing the corresponding shares.

The Corporation and its subsidiaries recognize a liability for cash-settled awards, including tandem share appreciation rights and those granted under Performance Share Unit plans and Deferred Share Unit plans. Compensation expense is recognized in operating and administrative expenses in the statements of earnings over the vesting period, net of related hedges, and a liability is recognized on the balance sheets. The liability is remeasured at fair value at each reporting period with the change in the liability recorded in operating and administrative expenses.

NOTE 2 BASIS OF PRESENTATION AND SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

FOREIGN CURRENCY TRANSLATION

The Corporation and its subsidiaries operate with multiple functional currencies. The Corporation's financial statements are prepared in Canadian dollars, which is the functional and presentation currency of the Corporation.

Assets and liabilities denominated in foreign currencies are translated into each entity's functional currency at exchange rates prevailing at the balance sheet dates for monetary items and at exchange rates prevailing at the transaction date for non-monetary items. Revenues and expenses denominated in foreign currencies are translated into each entity's functional currency at an average of daily rates. Realized and unrealized exchange gains and losses are included in net investment income.

Translation of Net Investment in Foreign Operations

Foreign operations are subsidiaries, jointly controlled corporations, associates and/or business units with functional currencies other than the Canadian dollar. Assets and liabilities are translated into Canadian dollars at the rate of exchange prevailing at the balance sheet dates and all revenues and expenses are translated at an average of daily rates. Unrealized foreign currency translation gains and losses on the Corporation's net investment in its foreign operations are presented as a component of other comprehensive income. Unrealized foreign currency translation gains and losses are recognized proportionately in net earnings when there has been a disposal of a foreign operation.

EARNINGS PER PARTICIPATING SHARE

Basic earnings per participating share is determined by dividing net earnings available to participating shareholders by the weighted average number of participating shares outstanding for the year. Diluted earnings per participating share is determined using the same method as basic earnings per participating share, except that net earnings available to participating shareholders and the weighted average number of participating shares outstanding are adjusted to include the potential dilutive effect of outstanding stock options granted by the Corporation and its subsidiaries, as determined by the treasury stock method.

Options with tandem share appreciation rights are accounted for as cash-settled share-based payments. As these options can be exercised in exchange for subordinate voting shares or for cash, they are considered potentially dilutive and are included in the calculation of the diluted net earnings per share if they have a dilutive impact during the year. The net earnings used in the diluted calculation is adjusted to reflect the expense had these options been classified as equity-settled.

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.

Standard	Summary of future changes
IFRS 16 – ***Leases***	In September 2022, the IASB published *Lease Liability in a Sale and Leaseback*, amendments to IFRS 16, *Leases*. The amendments clarify that in a sale and leaseback transaction, the seller-lessee cannot recognize a gain or loss on the subsequent measurement of the lease liability related to the right of use it retains. These amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. The Corporation does not anticipate a significant impact on its financial statements as a result of these amendments.
IAS 7 – ***Statement of Cash Flows*** **and** **IFRS 7 –** ***Financial Instruments: Disclosures***	In May 2023, the IASB published amendments to IAS 7, *Statement of Cash Flows* and IFRS 7, *Financial Instruments: Disclosures*. The amendments require an entity to provide additional disclosures about its supplier finance arrangements. These amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. The Corporation does not anticipate a significant impact on its financial statements as a result of these amendments.

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 that the guidance of IFRS 17 is applied 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.

An embedded value approach was used to determine the fair value within the fair value approach. Under the embedded value approach, the fair value is measured as the third party's present value of fulfillment cash flows, plus future costs of capital, less any future profits. The cost of capital was measured as the total required capital times a hurdle rate, and the future profits are driven by the release of risk adjustment and investment income on required capital. The development of the assumptions was based on a combination of publicly available industry data, historic economic data and Lifeco's own view of assumptions when the external data sources were not available.

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 (IFRS 9 overlay), 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

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

Insurance Revenue

For the year ended	December 31, 2022
Insurance revenue for:	
Contracts under fair value approach	7,546
Contracts under other approaches	12,086
Total insurance revenue	19,632

NOTE 3 **ADOPTION OF IFRS 17, *INSURANCE CONTRACTS* AND IFRS 9, *FINANCIAL INSTRUMENTS*** (continued)

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

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 FVPL	Designated as FVPL FVOCI
	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

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
FVPL				
Bonds				
Designated	113,511	(544)	–	112,967
Reclassified from loans and receivables	–	33,570	(3,480)	30,090
Total designated	113,511	33,026	(3,480)	143,057
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 FVPL	–	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 FVPL	13,564	–	–	13,564
Reclassified from available for sale	–	542	33	575
Total classified	14,227	542	33	14,802
Total FVPL	131,229	65,185	(5,738)	190,676
FVOCI				
Bonds				
Reclassified from available for sale	–	11,797	–	11,797
Reclassified from designated as FVPL	–	544	–	544
Reclassified from loans and receivables	–	376	(16)	360
	–	12,717	(16)	12,701
Mortgage and other loans				
Reclassified from loans and receivables	–	662	(41)	621
Shares				
Reclassified from available for sale	–	615	–	615
Total FVOCI	–	13,994	(57)	13,937

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 FVPL	–	(67)	–	(67)
Reclassified to FVOCI	–	(11,797)	–	(11,797)
Reclassified to amortized cost	–	(358)	–	(358)
	12,222	(12,222)	–	–
Mortgage and other loans				
Brought forward	240	–	–	240
Reclassified to FVPL	–	(240)	–	(240)
	240	(240)	–	–
Shares				
Brought forward	1,157	–	–	1,157
Reclassified to FVPL	–	(542)	–	(542)
Reclassified to FVOCI	–	(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 FVPL	–	(33,570)	–	(33,570)
Reclassified to FVOCI	–	(376)	–	(376)
	33,962	(33,588)	(6)	368
Mortgage and other loans				
Brought forward: Loans and receivables	41,186	–	–	41,186
Reclassified to FVPL	–	(31,310)	–	(31,310)
Reclassified to FVOCI	–	(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 FVPL 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 FVPL 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 were carried under IAS 39. Of the ECL allowance of $38 million at January 1, 2023, $6 million was stage 1 and $32 million was stage 2.

The ECL allowance was $38 million at December 31, 2023, of which $5 million was stage 1, $29 million was stage 2 and $4 million was stage 3.

NOTE 4 BUSINESS ACQUISITIONS AND OTHER TRANSACTIONS

LIFECO

Putnam U.S. Holdings I, LLC

On May 31, 2023, Lifeco announced that it had reached an agreement to sell Putnam U.S. Holdings I, LLC (Putnam Investments), excluding PanAgora Holdings Inc. and its subsidiary PanAgora Asset Management Inc. (collectively, PanAgora) to Franklin Resources, Inc. (Franklin Templeton), in exchange for Franklin Templeton common shares, cash and contingent consideration. Lifeco will retain its controlling interest in PanAgora, a quantitative asset manager, and certain assets, including deferred tax assets, related to Putnam Investments.

Concurrently, the Corporation, Lifeco and Franklin Templeton have entered into a strategic partnership to distribute Franklin Templeton products. Lifeco will also provide an initial long-term asset allocation amount of US$25 billion in assets under management to Franklin's specialist investment managers within 12 months of closing and will hold shares representing a 4.9% interest in Franklin Templeton shares for a minimum 5-year period.

The net earnings (loss) and cash flows of Putnam Investments have been classified as discontinued operations within the Lifeco segment, and the related assets and liabilities have been classified as held for sale.

Net earnings (loss) from discontinued operations are as follows:

	Years ended December 31, 2023	2022
Revenues		
Net investment result	44	(27)
Fee income and other	1,008	1,008
	1,052	981
Expenses		
Operating and administrative expenses	1,076	1,006
Acquisition and divestiture costs	130	--
	1,206	1,006
Loss before income taxes	(154)	(25)
Income tax expense (benefit)	(30)	7
Net loss from discontinued operations	(124)	(32)
Attributable to:		
Non-controlling interests	(37)	(11)
Participating shareholders	(87)	(21)
	(124)	(32)

Other comprehensive income (loss) from discontinued operations are as follows:

	Years ended December 31, 2023	2022
Exchange differences on translation of discontinued operations	(42)	68
Other comprehensive income (loss) from discontinued operations	(42)	68

Included within the Corporation's cash flows are the following amounts attributable to discontinued operations:

	Years ended December 31, 2023	2022
Operating activities	137	(44)
Financing activities	(6)	4
Effect of changes in exchange rates on cash and cash equivalents	(5)	23
Net increase (decrease) in cash and cash equivalents	126	(17)

NOTE 4 BUSINESS ACQUISITIONS AND OTHER TRANSACTIONS (continued)

Assets and liabilities held for sale are as follows:

	December 31, 2023
Assets	
Cash and cash equivalents	375
Shares	46
Owner-occupied properties and capital assets	156
Other assets	2,296
Intangible assets	1,594
Assets classified as held for sale	4,467
Liabilities	
Other liabilities	2,407
Liabilities classified as held for sale	2,407

Subsequent event

On January 1, 2024, Lifeco completed the sale of Putnam Investments to Franklin Templeton in exchange for Franklin Templeton common shares, cash, and other deferred and contingent consideration with a total estimated fair value of $1,894 million (US$1,424 million) resulting in an estimated net gain of $61 million. The carrying amount of net assets sold at January 1, 2024, reflects final closing and other costs recognized at point of sale. The final net gain will be updated and reflected in the first quarter 2024 results and is as follows:

Consideration received or receivable:	
Fair value of Franklin Templeton common shares (US$29.79)	1,321
Net cash and other deferred and contingent consideration	573
Non-controlling interest in sale of Putnam Investments	(123)
Total estimated net proceeds on disposal of Putnam Investments	1,771
Net carrying value of net assets sold	
Carrying value	2,060
Estimated final transaction closing costs	(109)
Reclassification of translation of foreign operations	(211)
Net carrying value of discontinued operations	1,740
Net estimated gain on sale	31
Income tax recovery	30
Estimated net gain on sale after income tax	61

Value Partners Group Inc.

On September 8, 2023, Canada Life, a subsidiary of Lifeco, completed the acquisition of 100% of the equity of Value Partners Group Inc., a Winnipeg-based investment firm that serves clients with complex and sophisticated wealth needs. As at December 31, 2023, the accounting for the acquisition is not finalized, with the initial amount of $119 million assigned to goodwill on the date of the acquisition to be adjusted, pending the completion of a comprehensive valuation of the net assets acquired.

U.S. Individual Life and Annuity Business Reinsurance Agreement

On June 1, 2019, Empower sold, via indemnity reinsurance, substantially all of its individual life insurance and annuity business to Protective Life Insurance Company (Protective Life). In connection with this transaction, Empower provided standard indemnities to the buyer. In 2022, Protective Life made claims under those indemnities. Although it is continuing to review the claims, Lifeco has established a provision, included in other liabilities, for the aggregate potential liability for the claims using available information.

Transfer of Segregated Funds to Joint Venture

On November 1, 2023, Irish Life Assurance plc (ILA), an indirect subsidiary of Lifeco, completed the portfolio transfer of segregated funds with a carrying value of approximately €1.8 billion ($2.7 billion) to Saol Assurance d.a.c. (AIB life), a related party to Lifeco through a 50/50 joint venture with Allied Irish Banks, p.l.c. Lifeco recognized a gain related to this transaction in the fourth quarter of 2023.

NOTE 4 **BUSINESS ACQUISITIONS AND OTHER TRANSACTIONS** (continued)

LIFECO AND IGM FINANCIAL

Acquisition of Investment Planning Counsel

On November 30, 2023, Canada Life completed the acquisition of 100% of the equity of Investment Planning Counsel Inc. (IPC), an independent wealth management firm, from IGM, for purchase consideration of $585 million. The acquisition extends Canada Life's wealth management reach and capabilities.

This is a related party transaction, and therefore, the transaction was reviewed and approved by the appropriate related party and conduct review committee.

The Corporation currently consolidates IPC and therefore the transaction did not have a significant impact on the consolidated statements of earnings and balance sheets.

SAGARD HOLDINGS MANAGEMENT INC.

In July 2023, Sagard Holdings Management Inc. (SHMI) announced new strategic partnerships with Abu Dhabi Developmental Holding Co. (ADQ), an Abu Dhabi-based investment and holding company, and Bank of Montreal (BMO). As part of this transaction, SHMI has also expanded its existing partnership with Lifeco and the strategic partners have agreed to make respective commitments of additional long-term capital in SHMI's existing and future investment strategies.

The transaction closed on September 28, 2023, and on closing ADQ, BMO and Lifeco acquired an aggregate minority interest of 29.0% in SHMI. The Corporation remains the controlling shareholder of SHMI and the transaction did not have a significant impact on the financial statements.

NOTE 5 CASH AND CASH EQUIVALENTS

	December 31, 2023	December 31, 2022
Cash	4,206	5,248
Cash equivalents	5,731	4,600
Cash and cash equivalents	9,937	9,848

At December 31, 2023, cash and cash equivalents amounting to $793 million were restricted for use by subsidiaries ($981 million at December 31, 2022), primarily in respect of cash held in trust for reinsurance agreements or with regulatory authorities, under certain indemnity arrangements and in escrow.

NOTE 6 INVESTMENTS

CARRYING VALUES AND FAIR VALUES

Carrying values and estimated fair values of investments are as follows:

	December 31, 2023		December 31, 2022 [1]	
	Carrying value	Fair value	Carrying value	Fair value
Bonds				
Designated as FVPL	143,418	143,418	143,057	143,057
Classified as FVPL	1,795	1,795	328	328
FVOCI	11,750	11,750	12,701	12,701
Available for sale	–	–	358	358
Amortized cost	373	371	–	–
Loans and receivables	–	–	16	16
	157,336	157,334	156,460	156,460
Mortgage and other loans				
Designated as FVPL	29,226	29,226	29,118	29,118
Classified as FVPL	4,233	4,233	3,371	3,371
FVOCI	578	578	621	621
Amortized cost	9,531	8,994	4,192	3,577
Loans and receivables	–	–	5,022	4,905
	43,568	43,031	42,324	41,592
Shares				
Designated as FVPL	–	–	398	398
Classified as FVPL	16,177	16,177	14,055	14,055
FVOCI	411	411	–	–
Available for sale	–	–	964	964
	16,588	16,588	15,417	15,417
Investment properties	7,870	7,870	8,344	8,344
	225,362	224,823	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.

BONDS AND MORTGAGE AND OTHER LOANS

Carrying value of bonds and mortgage and other loans by term to maturity is as follows:

	Term to maturity			
December 31, 2023	1 year or less	1-5 years	Over 5 years	Total
Bonds	14,602	47,705	95,029	157,336
Mortgage and other loans [1]	4,796	23,663	15,109	43,568
	19,398	71,368	110,138	200,904

	Term to maturity			
December 31, 2022 [2]	1 year or less	1-5 years	Over 5 years	Total
Bonds	13,893	42,420	100,147	156,460
Mortgage and other loans [1]	3,721	22,142	16,459	42,322
	17,614	64,562	116,606	198,782

[1] Mortgage and other loans include equity-release mortgages which do not have a fixed redemption date. The maturity profile of the portfolio has therefore been estimated based on redemption experience.

[2] 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 6 **INVESTMENTS** (continued)

NET INVESTMENT RESULT

	Years ended December 31, 2023	2022
Investment return		
Net investment income	9,195	7,613
Changes in FVPL	6,664	(30,978)
Total investment return	15,859	(23,365)
Net finance income (expenses) from insurance contracts		
Changes in fair value of underlying items of direct participating contracts	(3,941)	3,463
Effects of risk mitigation option	68	293
Interest accreted	(3,433)	(2,955)
Effect of changes in discount rates and other financial assumptions	(1,919)	17,851
Effect of measuring changes in estimates at current rates and adjusting the CSM at rates on initial recognition	(13)	157
Total net finance income (expenses) from insurance contracts	(9,238)	18,809
Net finance income (expenses) from reinsurance contracts		
Interest accreted	78	367
Other	146	(1,618)
Total net finance income (expenses) from reinsurance contracts	224	(1,251)
Changes in investment contract liabilities	(4,806)	8,454
Net investment result	2,039	2,647

Net Investment Income

Year ended December 31, 2023	Bonds	Mortgage and other loans	Shares	Investment properties	Other	Total
Net investment income						
Investment income earned	6,669	1,449	535	506	635	9,794
Net realized gains (losses) on derecognition of:						
FVOCI	(248)	–	–	–	–	(248)
Amortized costs	–	9	–	–	–	9
Net expected credit loss charge	(1)	–	–	–	–	(1)
Other income (expenses)	–	3	4	(186)	(180)	(359)
	6,420	1,461	539	320	455	9,195
Changes in FVPL	5,103	750	969	(507)	349	6,664
Net investment income (loss)	11,523	2,211	1,508	(187)	804	15,859

Year ended December 31, 2022 [1]	Bonds	Mortgage and other loans	Shares	Investment properties	Other	Total
Net investment income						
Investment income earned	5,637	1,247	411	459	440	8,194
Net realized gains (losses) on derecognition of:						
Available-for-sale	–	–	(191)	–	–	(191)
FVOCI	(71)	–	–	–	–	(71)
Amortized costs	–	5	–	–	–	5
Net allowance for credit losses	–	(42)	–	–	–	(42)
Other income (expenses)	–	3	4	(144)	(145)	(282)
	5,566	1,213	224	315	295	7,613
Changes in FVPL	(26,933)	(3,349)	(622)	(41)	(33)	(30,978)
Net investment income (loss)	(21,367)	(2,136)	(398)	274	262	(23,365)

[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.

NOTE 6 INVESTMENTS (continued)

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.

SECURITIES LENDING

Lifeco engages in securities lending to generate additional income. Lifeco's securities custodians are used as lending agents. Collateral, which exceeds the fair value of the loaned securities, is deposited by the borrower with Lifeco's lending agent and maintained by the lending agent until the underlying security has been returned. The fair value of the loaned securities is monitored on a daily basis by the lending agent, which obtains or refunds additional collateral as the fair value of the loaned securities fluctuates. Collateral primarily consists of government bonds, investment-grade corporate bonds and cash. Included in the collateral deposited with Lifeco's lending agent is cash collateral of $443 million at December 31, 2023 ($191 million at December 31, 2022). In addition, the securities lending agent indemnifies Lifeco against borrower risk, meaning that the lending agent agrees contractually to replace securities not returned due to a borrower default. As at December 31, 2023, Lifeco had loaned securities (which are included in investments) with a fair value of $8,154 million ($9,550 million at December 31, 2022).

NOTE 7 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					
December 31, 2023	Parjointco	Other [1]	ChinaAMC	Lion	Northleaf	Rockefeller	Other [1]	Total
Carrying value, beginning of year	3,314	443	1,570	234	285	–	670	6,516
Acquisition and investments	–	345	–	–	–	858	184	1,387
Disposal and derecognition	–	(134)	–	–	–	–	(97)	(231)
Share of earnings (losses)	423	9	105	(48)	17	(1)	97	602
Changes in FVPL	–	23	–	–	–	–	(2)	21
Impairment	–	–	–	(8)	–	–	–	(8)
Share of other comprehensive income (loss)	(25)	(10)	(71)	3	–	(12)	(2)	(117)
Dividends and distributions	(92)	(28)	(69)	–	–	–	(5)	(194)
Effects of changes in ownership and other	97	(84)	–	–	–	–	163	176
Carrying value, end of year	3,717	564	1,535	181	302	845	1,008	8,152

	Jointly controlled corporations		Associates					
December 31, 2022	Parjointco	Other [1]	ChinaAMC	Lion	Northleaf	Rockefeller	Other [1]	Total
Carrying value, beginning of year	4,278	428	1,535	334	259	–	590	7,424
Acquisition and investments	–	104	–	28	–	–	133	265
Disposal	–	–	–	–	–	–	(32)	(32)
Share of earnings (losses)	(15)	(1)	114	7	26	–	(2)	129
Changes in FVPL [2]	–	18	–	–	–	–	(55)	(37)
Impairment	–	–	–	(126)	–	–	–	(126)
Share of other comprehensive income (loss)	(929)	18	(17)	(9)	–	–	13	(924)
Dividends and distributions	(84)	(79)	(62)	–	–	–	(15)	(240)
Effects of changes in ownership and other	64	(45)	–	–	–	–	38	57
Carrying value, end of year	3,314	443	1,570	234	285	–	670	6,516

[1] 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 FVPL of $832 million at December 31, 2023 ($697 million in 2022).

[2] The Corporation has reclassified certain comparative figures to conform to the current year's presentation. These reclassifications had no impact on the net earnings of the Corporation.

PARJOINTCO

At December 31, 2023, Parjointco held a 100% equity interest (100% of the voting rights) in Pargesa (unchanged from December 31, 2022). Pargesa held a 31.0% equity interest (45.3% of the voting rights) in GBL at December 31, 2023 (29.8% equity interest and 44.0% of the voting rights at December 31, 2022).

At December 31, 2023, the net asset value of the Corporation's indirect interest in GBL is approximately $3,709 million. The carrying value of the indirect investment in GBL is $3,717 million. For the year ended December 31, 2023, revenue of GBL was €6,723 million (C$9,813 million) (€5,467 million or C$7,487 million for the year ended December 31, 2022) and net earnings attributable to GBL's common shareholders was €1,723 million (C$2,515 million) (net loss of €585 million or C$801 million for the year ended December 31, 2022). On January 1, 2018, GBL adopted IFRS 9; the Corporation deferred the adoption of IFRS 9 to January 1, 2023. The Corporation's share of losses in Parjointco for the year ended December 31, 2022 included an adjustment to account for GBL's earnings under IAS 39. Other financial information for GBL can be obtained from its publicly available information.

NOTE 7 **INVESTMENTS IN JOINTLY CONTROLLED CORPORATIONS AND ASSOCIATES** (continued)

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; this transaction did not have a significant impact on the consolidated statements of earnings and balance sheets.

At December 31, 2023, IGM Financial held an equity interest of 27.8% in ChinaAMC. ChinaAMC is an asset management company established in Beijing, China. IGM accounts for its interest in ChinaAMC as an associate using the equity method.

Summarized financial information for ChinaAMC is as follows:

	2023		2022	
[in millions]	Canadian dollars	Chinese renminbi	Canadian dollars	Chinese renminbi
Balance sheet at December 31[1]				
Assets	3,514	18,794	3,461	17,650
Liabilities	1,055	5,642	1,032	5,261
Comprehensive income for the years ended December 31				
Revenue	1,398	7,327	1,446	7,475
Net earnings attributable to common shareholders	384	2,013	418	2,163
Total comprehensive income	387	2,028	434	2,248

[1] Excludes fair value adjustments made at the time of acquisition of $3,248 million (RMB¥16,380 million).

ROCKEFELLER CAPITAL MANAGEMENT

On April 3, 2023, IGM acquired a 20.5% equity interest in Rockefeller, 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 US$622 million. IGM accounts for its interest in Rockefeller as an associate using the equity method.

The net earnings of Rockefeller are not significant to the results of the Corporation.

NORTHLEAF CAPITAL GROUP LTD.

At December 31, 2023, IGM's subsidiary, Mackenzie, and Lifeco held a 49.9% non-controlling voting interest and a 70% economic interest in Northleaf Capital Group Ltd. (Northleaf), a global private equity, private credit and infrastructure fund manager, through an acquisition vehicle 80% owned by Mackenzie and 20% owned by Lifeco (unchanged from December 31, 2022).

Mackenzie and Lifeco have an obligation and right to purchase the remaining economic and voting interest in Northleaf commencing in approximately five years from the acquisition date on October 29, 2020, and extending into future periods. The equity method is used to account for the investment in Northleaf as Mackenzie and Lifeco exercise significant influence, through the acquisition vehicle.

The net earnings of Northleaf are not significant to the results of the Corporation.

LION ELECTRIC CO.

The Corporation held a 34.1% equity interest in Lion at December 31, 2023 (35.4% at December 31, 2022).

On December 16, 2022, Power Sustainable invested US$25 million ($34 million) in Lion in consideration of 9,842,519 common shares and 9,842,519 warrants. The fair value of the warrants was estimated to be $5 million at December 31, 2023 ($9 million at December 31, 2022) and is included in derivative financial assets on the balance sheets.

In 2023, the Corporation recorded a non-cash impairment charge of $8 million ($126 million in 2022) on its investment in Lion reflecting a decline in the market value at December 31, 2023.

At December 31, 2023, the fair value of the Corporation's interest in Lion was $181 million ($234 million in 2022), based on the quoted market price.

BELLUS HEALTH INC.

The Corporation held an investment in Bellus Health Inc. (Bellus), a Canada-based late-stage biopharmaceutical company, which was accounted for as an associate with a carrying value of nil at December 31, 2022. On June 28, 2023, Bellus completed a transaction in which it was acquired by GSK plc for US$14.75 per share in cash. The Corporation recognized a recovery of $97 million related to the transaction in the statements of earnings.

NOTE 8 OWNER-OCCUPIED PROPERTIES AND CAPITAL ASSETS

The carrying value and the changes in the carrying value of owner-occupied properties and capital assets are as follows:

			Capital assets		
December 31, 2023	Right-of-use assets [1]	Owner-occupied properties	Power generating assets	Other	Total
Cost, beginning of year	1,198	1,037	2,536	2,068	6,839
Transfer to assets held for sale	(149)	–	–	(103)	(252)
Additions	117	32	911	124	1,184
Modifications	(1)	–	–	–	(1)
Disposal/retirements	(1)	–	(2)	(70)	(73)
Changes in foreign exchange rates and other	(8)	(1)	(18)	(1)	(28)
Cost, end of year	1,156	1,068	3,427	2,018	7,669
Accumulated amortization, beginning of year	(423)	(253)	(276)	(1,478)	(2,430)
Transfer to assets held for sale	49	–	–	47	96
Amortization and impairment	(103)	(20)	(75)	(127)	(325)
Modifications	2	–	–	–	2
Disposal/retirements	1	–	1	65	67
Changes in foreign exchange rates and other	–	–	1	2	3
Accumulated amortization, end of year	(474)	(273)	(349)	(1,491)	(2,587)
Carrying value, end of year	682	795	3,078	527	5,082

			Capital assets		
December 31, 2022	Right-of-use assets [1]	Owner-occupied properties	Power generating assets	Other	Total
Cost, beginning of year	1,078	1,011	1,702	1,990	5,781
Additions	113	15	801	129	1,058
Modifications	(8)	–	–	–	(8)
Disposal/retirements	(6)	–	(66)	(60)	(132)
Changes in foreign exchange rates and other	21	11	99	9	140
Cost, end of year	1,198	1,037	2,536	2,068	6,839
Accumulated amortization, beginning of year	(317)	(214)	(171)	(1,393)	(2,095)
Amortization and impairment	(115)	(40)	(101)	(126)	(382)
Modifications	7	–	–	–	7
Disposal/retirements	4	–	14	45	63
Changes in foreign exchange rates and other	(2)	1	(18)	(4)	(23)
Accumulated amortization, end of year	(423)	(253)	(276)	(1,478)	(2,430)
Carrying value, end of year	775	784	2,260	590	4,409

[1] Right-of-use assets include leased properties and leased capital assets.

The following table provides the carrying value of owner-occupied properties and capital assets by geographic location:

	December 31, 2023	December 31, 2022
Canada	3,235	2,710
United States	1,522	1,426
Europe	325	273
	5,082	4,409

NOTE 9 OTHER ASSETS

	December 31, 2023	December 31, 2022
Accounts and interest receivable	5,620	4,903
Client funds on deposit	8,490	5,969
Trading account assets	3,038	2,972
Deferred acquisition costs and deferred selling commissions	1,308	1,295
Pension benefits [Note 28]	427	552
Income taxes receivable	320	364
Finance leases receivable	668	539
Prepaid expenses	209	216
Funds held under reinsurance contracts	7,268	8,130
Other	2,086	2,632
	29,434	27,572

Other assets of $19,522 million as at December 31, 2023 ($16,885 million as at December 31, 2022) are to be derecognized within 12 months. This amount excludes deferred acquisition costs and deferred selling commissions, the changes in which are presented below.

DEFERRED ACQUISITION COSTS AND DEFERRED SELLING COMMISSIONS

The changes in the carrying value of the deferred acquisition costs and deferred selling commissions are as follows:

	December 31, 2023	December 31, 2022
Balance, beginning of year	1,295	1,181
Additions	318	297
Disposals	(95)	(23)
Amortization	(208)	(183)
Changes in foreign exchange rates and other	(2)	23
Balance, end of year	1,308	1,295

NOTE 10 GOODWILL AND INTANGIBLE ASSETS

GOODWILL

The carrying value and changes in the carrying value of goodwill are as follows:

	December 31, 2023			December 31, 2022		
	Cost	Accumulated impairment	Carrying value	Cost	Accumulated impairment	Carrying value
Balance, beginning of year	15,856	(1,239)	14,617	14,155	(1,161)	12,994
Transfer to assets held for sale	(1,214)	1,214	–	–	–	–
Business acquisitions	185	–	185	1,402	–	1,402
Purchase price allocation adjustments	(1)	–	(1)	31	–	31
Allocated to intangible assets	(11)	–	(11)	(80)	–	(80)
Changes in foreign exchange rates and other	(166)	6	(160)	348	(78)	270
Balance, end of year	14,649	(19)	14,630	15,856	(1,239)	14,617

INTANGIBLE ASSETS

The carrying value and changes in the carrying value of the intangible assets are as follows:

Indefinite Life Intangible Assets

December 31, 2023	Brands, trademarks and trade names	Customer contract-related	Mutual fund management contracts	Shareholders' portion of acquired future participating account profit	Total
Cost, beginning of year	1,403	2,648	741	354	5,146
Transfer to assets held for sale	(425)	(2,294)	–	–	(2,719)
Additions	–	26	–	–	26
Transfer to finite life intangible assets	(95)	–	–	–	(95)
Changes in foreign exchange rates and other	3	–	–	–	3
Cost, end of year	886	380	741	354	2,361
Accumulated impairment, beginning of year	(137)	(1,092)	–	–	(1,229)
Transfer to assets held for sale	103	1,092	–	–	1,195
Impairment	(23)	–	–	–	(23)
Changes in foreign exchange rates and other	–	–	–	–	–
Accumulated impairment, end of year	(57)	–	–	–	(57)
Carrying value, end of year	829	380	741	354	2,304

December 31, 2022	Brands, trademarks and trade names	Customer contract-related	Mutual fund management contracts	Shareholders' portion of acquired future participating account profit	Total
Cost, beginning of year	1,372	2,542	741	354	5,009
Changes in foreign exchange rates and other	31	106	–	–	137
Cost, end of year	1,403	2,648	741	354	5,146
Accumulated impairment, beginning of year	(130)	(1,028)	–	–	(1,158)
Changes in foreign exchange rates and other	(7)	(64)	–	–	(71)
Accumulated impairment, end of year	(137)	(1,092)	–	–	(1,229)
Carrying value, end of year	1,266	1,556	741	354	3,917

In 2023, Lifeco recognized an impairment of $23 million on the PanAgora brand which is presented within operating and administrative expenses in the statement of earnings.

NOTE 10 **GOODWILL AND INTANGIBLE ASSETS** (continued)

Finite Life Intangible Assets

December 31, 2023	Technology and software	Customer contract-related	Power purchase agreements	Other	Total
Cost, beginning of year	3,270	3,400	614	534	7,818
Transfer to assets held for sale	(325)	(50)	–	–	(375)
Additions	352	107	15	133	607
Transfer from indefinite life intangible assets	–	–	–	95	95
Disposal	(312)	–	–	(5)	(317)
Changes in foreign exchange rates and other	(5)	(31)	(6)	5	(37)
Cost, end of year	2,980	3,426	623	762	7,791
Accumulated amortization, beginning of year	(1,958)	(1,093)	(130)	(238)	(3,419)
Transfer to assets held for sale	244	39	–	–	283
Amortization and impairment	(233)	(188)	(46)	(39)	(506)
Disposal	223	–	–	2	225
Changes in foreign exchange rates and other	7	5	–	–	12
Accumulated amortization, end of year	(1,717)	(1,237)	(176)	(275)	(3,405)
Carrying value, end of year	1,263	2,189	447	487	4,386

December 31, 2022	Technology and software	Customer contract-related	Power purchase agreements	Other	Total
Cost, beginning of year	2,835	2,658	597	545	6,635
Additions	393	572	22	43	1,030
Disposal	(32)	(3)	–	(3)	(38)
Changes in foreign exchange rates and other	74	173	(5)	(51)	191
Cost, end of year	3,270	3,400	614	534	7,818
Accumulated amortization, beginning of year	(1,649)	(888)	(105)	(237)	(2,879)
Amortization and impairment	(234)	(174)	(33)	(29)	(470)
Amortization from discontinued operations	(21)	(3)	–	–	(24)
Disposal	3	3	–	3	9
Changes in foreign exchange rates and other	(57)	(31)	8	25	(55)
Accumulated amortization, end of year	(1,958)	(1,093)	(130)	(238)	(3,419)
Carrying value, end of year	1,312	2,307	484	296	4,399

In 2023, Lifeco recognized an impairment of $88 million ($25 million in 2022) on software assets in the United Kingdom, which is presented within operating and administrative expenses in the statement of earnings.

NOTE 10 **GOODWILL AND INTANGIBLE ASSETS** (continued)

ALLOCATION TO CASH GENERATING UNITS

Goodwill and indefinite life intangible assets have been assigned to CGUs as follows:

	December 31, 2023			December 31, 2022		
	Goodwill	Intangible assets	Total	Goodwill	Intangible assets	Total
Lifeco						
Canada						
Group Customer	1,633	354	1,987	1,633	354	1,987
Individual Customer	3,078	642	3,720	2,806	619	3,425
Europe	2,429	247	2,676	2,418	218	2,636
United States						
Financial Services	4,151	–	4,151	4,214	95	4,309
Asset Management	–	19	19	–	1,566	1,566
IGM						
Wealth Management	1,440	–	1,440	1,586	23	1,609
Asset Management	1,255	1,003	2,258	1,274	1,003	2,277
Other	644	39	683	686	39	725
	14,630	2,304	16,934	14,617	3,917	18,534

RECOVERABLE AMOUNT

Lifeco

For purposes of annual impairment testing, Lifeco allocates goodwill and indefinite life intangible assets to its CGUs. Any potential impairment of goodwill or indefinite life intangible assets is identified by comparing the recoverable amount to its carrying value.

Fair value is initially assessed with reference to valuation multiples of comparable publicly traded financial institutions and previous business acquisition transactions. The calculations utilize earnings and cash flow projections based on financial budgets approved by Lifeco's management. These valuation multiples may include price-to-earnings or price-to-book measures for life insurers and asset managers. This assessment may give regard to a variety of relevant considerations, including expected growth, risk and capital market conditions, among other factors. The valuation multiples used in assessing fair value represent Level 2 inputs.

In the fourth quarter of 2023, Lifeco conducted its annual impairment testing of goodwill and indefinite life intangible assets based on the September 30, 2023 asset balances. It was determined that the recoverable amounts of CGUs were in excess of their carrying values and there was no evidence of impairment.

Any reasonable changes in assumptions and estimates used in determining the recoverable amounts of the CGUs are unlikely to cause the carrying values to exceed their recoverable amounts.

IGM Financial

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

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

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

NOTE 11 INSURANCE CONTRACTS

ANALYSIS BY REMAINING COVERAGE AND INCURRED CLAIMS

	Liability for remaining coverage		Liability for incurred claims				
				Contracts under PAA			
December 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	Asset for acquisition cash flows	Total
Opening assets	(1,275)	2	197	(64)	–	–	(1,140)
Opening liabilities	118,505	199	3,366	12,994	545	(171)	135,438
Opening liabilities on account of segregated fund policyholders	57,841	–	–	–	–	–	57,841
Net opening balance	175,071	201	3,563	12,930	545	(171)	192,139
Changes in the statements of earnings and of comprehensive income							
Insurance revenue	(20,402)	–	–	–	–	–	(20,402)
Insurance service expenses							
Incurred claims and other insurance service expenses	–	(22)	9,311	6,250	99	–	15,638
Amortization of insurance acquisition cash flows	702	–	–	–	–	–	702
Losses and reversal of losses on onerous contracts	–	62	–	–	–	–	62
Adjustments to liabilities for incurred claims	–	–	(47)	(455)	(123)	–	(625)
	702	40	9,264	5,795	(24)	–	15,777
Investment components	(10,085)	–	7,193	2,892	–	–	–
Total changes in insurance service result	(29,785)	40	16,457	8,687	(24)	–	(4,625)
Net finance (income) expenses from insurance contracts	9,515	12	5,274	709	31	–	15,541
Effect of movement in exchange rates	88	–	7	72	3	–	170
Total changes in the statements of earnings and of comprehensive income	(20,182)	52	21,738	9,468	10	–	11,086
Cash flows							
Premiums received	30,906	–	–	–	–	–	30,906
Incurred claims paid and other insurance service expenses paid	(63)	–	(21,594)	(8,823)	–	–	(30,480)
Insurance acquisition cash flows	(865)	–	–	–	–	–	(865)
Insurance acquisition cash flows transferred from the asset for insurance acquisition cash flows at initial recognition	(32)	–	–	–	–	–	(32)
Other cash flows [1]	903	–	–	–	–	–	903
Total cash flows	30,849	–	(21,594)	(8,823)	–	–	432
Asset for acquisition cash flows							
Insurance acquisition cash flows paid in the year	–	–	–	–	–	(35)	(35)
Insurance acquisition cash flows allocated to groups of insurance contracts recognized in the year	–	–	–	–	–	32	32
Total changes in asset for acquisition cash flows	–	–	–	–	–	(3)	(3)
Other movements [2]	(157)	–	–	–	–	–	(157)
Net closing balance [3]	185,581	253	3,707	13,575	555	(174)	203,497
Recorded in:							
Closing assets	(2,021)	–	831	(3)	–	–	(1,193)
Closing liabilities	127,300	253	2,876	13,578	555	(174)	144,388
Closing liabilities on account of segregated fund policyholders	60,302	–	–	–	–	–	60,302
Net closing balance [3]	185,581	253	3,707	13,575	555	(174)	203,497

[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 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] Included in the insurance contract balances are loans to policyholders of $8,945 million and funds withheld of $3,926 million.

NOTE 11 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	Asset for acquisition cash flows	Total
Opening assets	(2,125)	–	730	(138)	–	–	(1,533)
Opening liabilities	140,178	181	2,963	14,155	595	(162)	157,910
Opening liabilities on account of segregated fund policyholders	65,253	–	–	–	–	–	65,253
Net opening balance	203,306	181	3,693	14,017	595	(162)	221,630
Changes in the statements of earnings and of comprehensive income							
Insurance revenue	(19,632)	–	–	–	–	–	(19,632)
Insurance service expenses							
Incurred claims and other insurance service expenses	–	(26)	8,848	5,396	344	–	14,562
Amortization of insurance acquisition cash flows	637	–	–	–	–	–	637
Losses and reversal of losses on onerous contracts	–	61	–	–	–	–	61
Adjustments to liabilities for incurred claims	–	–	(66)	377	(299)	–	12
	637	35	8,782	5,773	45	–	15,272
Investment components	(9,018)	–	6,072	2,946	–	–	–
Total changes in insurance service result	(28,013)	35	14,854	8,719	45	–	(4,360)
Net finance (income) expenses from insurance contracts	(27,956)	(16)	4,370	(1,359)	(88)	–	(25,049)
Effect of movement in exchange rates	127	1	27	(139)	(7)	–	9
Total changes in the statements of earnings and of comprehensive income	(55,842)	20	19,251	7,221	(50)	–	(29,400)
Cash flows							
Premiums received	30,502	–	–	–	–	–	30,502
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	30,415	–	(19,362)	(8,280)	–	–	2,773
Asset for acquisition cash flows							
Insurance acquisition cash flows paid in the year	–	–	–	–	–	(107)	(107)
Insurance acquisition cash flows allocated to groups of insurance contracts recognized in the year	–	–	–	–	–	98	98
Total changes in asset for acquisition cash flows	–	–	–	–	–	(9)	(9)
Other movements [2]	(2,982)	–	(19)	(28)	–	–	(3,029)
Impact of acquisitions / dispositions [3]	174	–	–	–	–	–	174
Net closing balance [4]	175,071	201	3,563	12,930	545	(171)	192,139
Recorded in:							
Closing assets	(1,275)	2	197	(64)	–	–	(1,140)
Closing liabilities	118,505	199	3,366	12,994	545	(171)	135,438
Closing liabilities on account of segregated fund policyholders	57,841	–	–	–	–	–	57,841
Net closing balance [4]	175,071	201	3,563	12,930	545	(171)	192,139

[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 year.

[4] Included in the insurance contract balances are loans to policyholders of $8,999 million and funds withheld of $4,105 million.

NOTE 11 **INSURANCE CONTRACTS** (continued)

ANALYSIS BY MEASUREMENT COMPONENT FOR INSURANCE CONTRACTS NOT MEASURED UNDER PAA

December 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	105,278	6,036	11,361	122,675
Opening liabilities on account of segregated fund policyholders	57,841	–	–	57,841
Net opening balance	158,848	6,551	14,134	179,533
Changes in the statements of earnings and of comprehensive income				
Changes that relate to current service				
CSM recognized for services provided	–	–	(1,224)	(1,224)
Change in risk adjustment for non-financial risk for risk expired	–	(611)	–	(611)
Experience adjustments	214	1	–	215
Changes that relate to future service				
Contracts initially recognized in the year	(1,037)	358	688	9
Changes in estimates that adjust the CSM	(11)	91	(80)	–
Changes in estimates that result in losses and reversal of losses on onerous contracts	56	15	–	71
Changes that relate to past service				
Adjustment to liabilities for incurred claims	(45)	(2)	–	(47)
Total changes in insurance service result	(823)	(148)	(616)	(1,587)
Net finance (income) expenses from insurance contracts	14,058	591	152	14,801
Effect of movement in foreign exchange rates	(22)	32	78	88
Total changes in the statements of earnings and of comprehensive income	13,213	475	(386)	13,302
Cash flows				
Premiums received	19,144	–	–	19,144
Incurred claims paid and other insurance service expenses paid	(21,654)	–	–	(21,654)
Insurance acquisition cash flows	(755)	–	–	(755)
Other cash flows [1]	897	–	–	897
Total cash flows	(2,368)	–	–	(2,368)
Other movements [2]	(157)	–	–	(157)
Net closing balance	169,536	7,026	13,748	190,310
Recorded in:				
Closing assets	(6,560)	1,654	3,796	(1,110)
Closing liabilities	115,794	5,372	9,952	131,118
Closing liabilities on account of segregated fund policyholders	60,302	–	–	60,302
Net closing balance	169,536	7,026	13,748	190,310

[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 11 INSURANCE CONTRACTS (continued)

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	127,643	7,067	9,447	144,157
Opening liabilities on account of segregated fund policyholders	65,253	–	–	65,253
Net opening balance	185,607	9,443	13,056	208,106
Changes in the statements 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 (income) expenses from insurance contracts	(21,211)	(2,497)	116	(23,592)
Effect of movement in foreign exchange rates	254	(83)	2	173
Total changes in the statements 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	105,278	6,036	11,361	122,675
Closing liabilities on account of segregated fund policyholders	57,841	–	–	57,841
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 year.

NOTE 11 INSURANCE CONTRACTS (continued)

COMPOSITION OF INSURANCE AND INVESTMENT CONTRACT LIABILITIES AND RELATED SUPPORTING ASSETS

The composition of insurance contract liabilities and reinsurance contract assets and liabilities, as well as investment contract liabilities of Lifeco by business is as follows:

	Assets		Liabilities		
December 31, 2023	Insurance contracts	Reinsurance contracts	Insurance contracts	Investment contracts	Reinsurance contracts
Participating					
Canada	–	–	50,499	–	–
United States	–	–	5,032	–	–
Europe	–	–	124	–	–
Capital and Risk Solutions	–	–	671	–	–
Non-participating					
Canada	400	1,243	30,956	3,931	208
United States	291	12,243	13,047	83,966	163
Europe	331	3,713	39,266	341	250
Capital and Risk Solutions	171	133	4,793	681	27
	1,193	17,332	144,388	88,919	648

	Assets		Liabilities		
December 31, 2022	Insurance contracts	Reinsurance contracts	Insurance contracts	Investment contracts	Reinsurance contracts
Participating					
Canada	–	–	46,127	–	–
United States	–	–	5,161	–	–
Europe	–	–	126	–	–
Capital and Risk Solutions	–	–	656	–	–
Non-participating					
Canada	408	1,211	28,931	3,635	164
United States	245	12,624	13,508	90,139	167
Europe	322	3,639	35,544	323	226
Capital and Risk Solutions	165	97	5,385	713	(20)
	1,140	17,571	135,438	94,810	537

NOTE 11 INSURANCE CONTRACTS (continued)

The composition of the assets supporting insurance and investment contract liabilities and equity of Lifeco by business is as follows:

December 31, 2023	Bonds	Mortgage loans	Shares	Investment properties	Other	Total
Participating liabilities						
Canada	22,726	12,503	9,853	4,662	755	50,499
United States	4,299	500	187	–	46	5,032
Europe	56	–	41	3	24	124
Capital and Risk Solutions	570	5	–	–	96	671
Non-participating liabilities						
Canada	21,408	4,244	2,782	644	5,809	34,887
United States	53,381	11,760	1,301	–	30,571	97,013
Europe	25,738	6,707	467	2,113	4,582	39,607
Capital and Risk Solutions	4,938	488	–	–	48	5,474
Other	11,448	1,483	164	–	436,977	450,072
Total equity	12,487	724	938	448	15,254	29,851
Total carrying value	157,051	38,414	15,733	7,870	494,162	713,230
Fair value	157,051	37,915	15,667	7,870	494,162	712,665

December 31, 2022 [1]	Bonds	Mortgage loans	Shares	Investment properties	Other	Total
Participating liabilities						
Canada	20,006	12,049	9,194	4,876	2	46,127
United States	4,366	552	137	–	106	5,161
Europe	54	–	46	8	18	126
Capital and Risk Solutions	553	7	–	–	96	656
Non-participating liabilities						
Canada	20,610	3,851	2,707	685	4,713	32,566
United States	60,783	12,456	873	–	29,535	103,647
Europe	23,512	6,082	388	2,345	3,540	35,867
Capital and Risk Solutions	5,343	216	–	–	539	6,098
Other	10,023	1,128	79	–	401,933	413,163
Total equity	10,841	856	877	430	15,791	28,795
Total carrying value	156,091	37,197	14,301	8,344	456,273	672,206
Fair value	156,091	36,582	14,273	8,344	456,273	671,563

[1] Represents application of IFRS 9 overlay.

Cash flows of assets supporting insurance and investment contract liabilities are matched within reasonable limits. Changes in the fair values of these assets are largely offset by changes in the fair value of insurance and investment contract liabilities.

Changes in the fair values of assets backing capital and surplus, less related income taxes, would result in a corresponding change in surplus over time in accordance with Lifeco's investment accounting policies.

NOTE 11 **INSURANCE CONTRACTS** (continued)

EFFECT ON MEASUREMENT COMPONENTS OF INSURANCE CONTRACTS INITIALLY RECOGNIZED IN THE YEAR

December 31, 2023	Profitable contracts issued	Onerous contracts issued	Total
Insurance acquisition cash flows	465	46	511
Claims and other insurance service expenses payable	11,710	88	11,798
Estimates of present value of cash outflows	12,175	134	12,309
Estimates of present value of cash inflows	(13,208)	(138)	(13,346)
Risk adjustment for non-financial risk	338	20	358
CSM	690	(2)	688
Total losses (gains) recognized on initial recognition	(5)	14	9

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 (gains) recognized on initial recognition	(8)	21	13

Lifeco did not acquire any insurance contracts held through transfer or business combination.

MATURITY ANALYSIS OF INSURANCE AND REINSURANCE CONTRACTS HELD

The following table shows the undiscounted expected future cash outflows (inflows) for insurance and reinsurance contracts held by expected timing based on best estimate actuarial assumptions and excludes amounts from insurance contract liabilities on account of segregated fund holders. Whole life individual insurance products have expected cash flows for several decades in the future. Examples of cash outflows are payment of claims and expenses, and examples of cash inflows are premiums.

December 31, 2023	1 year or less	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
Insurance contracts							
Insurance contract liabilities	7,815	4,180	4,150	4,331	4,602	434,966	460,044
Insurance contract assets	(674)	(675)	(633)	(577)	(534)	(7,892)	(10,985)
	7,141	3,505	3,517	3,754	4,068	427,074	449,059
Reinsurance contracts held							
Reinsurance contract held liabilities	15	110	96	85	69	(41)	334
Reinsurance contract held assets	(407)	(94)	(70)	(83)	(76)	(3,258)	(3,988)
	(392)	16	26	2	(7)	(3,299)	(3,654)

NOTE 11 **INSURANCE CONTRACTS** (continued)

December 31, 2022	1 year or less	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
Insurance contracts							
Insurance contract liabilities	6,685	3,355	3,274	3,524	3,615	395,405	415,858
Insurance contract assets	(592)	(499)	(480)	(430)	(387)	(3,056)	(5,444)
	6,093	2,856	2,794	3,094	3,228	392,349	410,414
Reinsurance contracts held							
Reinsurance contract held liabilities	(107)	(29)	(33)	(32)	(31)	644	412
Reinsurance contract held assets	(392)	(120)	(83)	(87)	(99)	(3,532)	(4,313)
	(499)	(149)	(116)	(119)	(130)	(2,888)	(3,901)

AMOUNT OF INSURANCE CONTRACT LIABILITIES PAYABLE ON DEMAND

The amounts from insurance contract liabilities that are payable on demand are set out below. The amounts payable on demand include the cash surrender value and/or the account value less applicable surrender charges payable. Insurance contract liabilities held on account of segregated fund holders are excluded from the amounts payable on demand and carrying amounts.

	December 31, 2023	December 31, 2022
Amounts payable on demand	61,367	58,426
Carrying amounts	93,324	85,805

EXPECTED REMAINING CSM RECOGNITION

	December 31, 2023	December 31, 2022
1 year or less	1,138	1,139
1-2 years	1,051	1,060
2-3 years	972	972
3-4 years	898	899
4-5 years	827	832
5-10 years	3,241	3,336
Over 10 years	5,621	5,896
	13,748	14,134

EXPECTED DERECOGNITION OF THE ASSET FOR INSURANCE ACQUISITION CASH FLOWS

	December 31, 2023	December 31, 2022
1 year or less	30	29
1-2 years	28	27
2-3 years	26	25
3-4 years	24	23
4-5 years	20	21
5-10 years	46	46
	174	171

NOTE 11 INSURANCE CONTRACTS (continued)

CSM

The concentration of insurance risk of Lifeco by business is as follows:

December 31, 2023	Non-participating (excluding segregated funds) Canada	United States	Europe	Capital and Risk Solutions	Total	Segregated funds	Participating account surplus in Lifeco's subsidiaries [1]	Total [2]
CSM, beginning of year, January 1, 2023	1,264	41	2,771	1,796	5,872	3,557	3,694	13,123
CSM recognized for services provided	(143)	(4)	(234)	(154)	(535)	(430)	(157)	(1,122)
Contracts initially recognized in the year	41	–	284	49	374	181	111	666
Changes in estimates that adjust the CSM [3]	(40)	(12)	325	–	273	(37)	(490)	(254)
Net finance (income) expenses from insurance contracts	37	–	49	37	123	16	–	139
Effect of movement in exchange rates	–	(1)	60	17	76	11	(4)	83
CSM, end of year, December 31, 2023	1,159	24	3,255	1,745	6,183	3,298	3,154	12,635

[1] Included in non-controlling interests on the balance sheets.

[2] The amounts in the table above are presented net of reinsurance.

[3] Included in the changes in estimates that adjust the CSM is a $73 million reclassification of CSM between segregated funds and non-participating products, excluding segregated funds. There is no change in overall CSM from this reclassification.

December 31, 2022	Non-participating (excluding segregated funds) Canada	United States	Europe	Capital and Risk Solutions	Total	Segregated funds	Participating account surplus in Lifeco's subsidiaries [1]	Total [2]
CSM, beginning of year, January 1, 2022	1,679	25	2,524	1,691	5,919	3,432	2,629	11,980
CSM recognized for services provided	(166)	(4)	(194)	(152)	(516)	(419)	(139)	(1,074)
Contracts initially recognized in the year [3]	44	–	224	100	368	537	102	1,007
Changes in estimates that adjust the CSM	(328)	13	238	133	56	(24)	1,081	1,113
Net finance (income) expenses from insurance contracts	35	(1)	26	29	89	–	–	89
Effect of movement in exchange rates	–	8	(47)	(5)	(44)	31	21	8
CSM, end of year, December 31, 2022	1,264	41	2,771	1,796	5,872	3,557	3,694	13,123

[1] Included in non-controlling interests on the balance sheets.

[2] The amounts in the table above are presented net of reinsurance.

[3] On April 1, 2022, Lifeco completed the acquisition of the full-service retirement services business of Prudential Financial, Inc. The acquisition included $294 million of CSM which has been included in the contracts initially recognized in the year category.

NOTE 11 **INSURANCE CONTRACTS** (continued)

INSURANCE RISK

Actuarial Assumptions

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. 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. Risk adjustments for non-financial risk are reviewed periodically by Lifeco for continued appropriateness.

Lifeco 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 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 below:

Actuarial assumptions	Methods
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 Lifeco'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 have been made for future mortality deterioration on term insurance.
Morbidity	Lifeco uses industry-developed experience tables modified to reflect emerging Lifeco experience. Both claim incidence and termination are monitored regularly, and emerging experience is factored into the current valuation.
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. Lifeco 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.
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 Lifeco has no experience with specific types of policies or its exposure is limited. Lifeco'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 term for renewable term policies in Canada and Capital and Risk Solutions. Industry experience has guided Lifeco's assumptions for these products as its own experience is very limited.
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.
Utilization of elective policy options	There are a wide range of elective options embedded in the policies issued by Lifeco. Examples include term renewals, conversion to whole life insurance (term insurance), settlement annuity purchase at guaranteed rates (deposit annuities) and guarantee resets (segregated fund maturity guarantees). The assumed rates of utilization are based on Lifeco or industry experience when it exists and otherwise based on judgment considering incentives to utilize the option. Generally, whenever it is clearly in the best interests of an informed policyholder to utilize an option, then it is assumed to be elected.

NOTE 11 INSURANCE CONTRACTS (continued)

Actuarial assumptions	Methods
Policyholder dividends and adjustable policy features	Future policyholder dividends and other adjustable policy features are included in the determination of insurance contract liabilities with the assumption that policyholder dividends or adjustable benefits will change in the future in response to the relevant experience. The dividend and policy adjustments are determined consistent with policyholders' reasonable expectations, such expectations being influenced by the participating policyholder dividend policies and/or policyholder communications, marketing material and past practice. It is Lifeco's expectation that changes will occur in policyholder dividend scales or adjustable benefits for participating or adjustable business, respectively, corresponding to changes in the best estimate assumptions, resulting in an immaterial net change in insurance contract liabilities. Where underlying guarantees may limit the ability to pass all of this experience back to the policyholder, the impact of this non-adjustability on net earnings is reflected in the impacts of changes in best estimate assumptions below.
Investment returns	Interest rate risk is managed by investing in assets that are suitable for the products sold. Lifeco utilizes a formal process for managing the matching of assets and liabilities. This involves grouping general fund assets and liabilities into Lifeco's business. Assets in each business are managed in relation to the liabilities in the business. 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 lead to a sensitivity to interest rate movements in net earnings under IFRS 17 and IFRS 9.
Insurance and Investment contract liabilities	In determining Lifeco'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 Corporation's earnings.

Non-Financial Exposures and Sensitivities

INSURANCE RISK

	Net earnings		CSM [1]	
December 31, 2023	Before reinsurance	Net of reinsurance held	Before reinsurance	Net of reinsurance held
2% life mortality increase	(100)	(100)	(375)	(200)
2% annuity mortality decrease	175	150	(700)	(625)
5% morbidity adverse change	(150)	(125)	(225)	(100)
5% expense increase	–	–	(150)	(150)
10% adverse change in policy termination and renewal	50	50	(1,025)	(950)

	Net earnings		CSM [1]	
December 31, 2022	Before reinsurance	Net of reinsurance held	Before reinsurance	Net of reinsurance held
2% life mortality increase	50	25	(550)	(325)
2% annuity mortality decrease	200	200	(725)	(650)
5% morbidity adverse change	(75)	(100)	(275)	(125)
5% expense increase	–	–	(175)	(175)
10% adverse change in policy termination and renewal	150	150	(1,125)	(1,100)

[1] The impacts to the CSM are pre-tax.

These sensitivities reflect the impact on net earnings and CSM of an immediate change in assumptions on the value of insurance and reinsurance contracts held and investment contracts. The impact on equity is equal to the net earnings impact.

NOTE 11 **INSURANCE CONTRACTS** (continued)

Under IFRS 17, assumption changes on insurance risk directly impact CSM, for contracts which have CSM. The impact of assumption changes on CSM are measured at locked-in discount rates, for contracts measured under the GMM. Net earnings impacts arise from any differences relative to the fair value impact of assumption changes impacting CSM, as well as assumption changes on contracts which do not have CSM (including short-term insurance contracts). For assumption changes impacting CSM, there is a second-order impact to earnings which captures the present value difference between the impact of assumption changes measured at prevailing discount rates and locked-in discount rates. In general, prevailing discount rates are currently higher than locked-in rates for Lifeco's insurance contracts, as most locked-in rates for the calculation of CSM impacts were determined at January 1, 2022 for the in-force portfolio. Therefore, an unfavourable change in assumptions on insurance risk, leading to a liability-strengthening offset by CSM reduction, also results in a positive earnings impact in the period due to the fair value impact.

Concentration risk may arise from geographic regions, accumulation of risks and market risk.

REINSURANCE RISK

Maximum limits per insured life benefit amount (which vary by Lifeco's line of business) are established for life and health insurance, and reinsurance is purchased for amounts in excess of those limits.

Reinsurance costs and recoveries as defined by the reinsurance agreement are reflected in the valuation with these costs and recoveries being appropriately calibrated to the direct assumptions.

Reinsurance contracts do not relieve Lifeco from its obligations to policyholders. Failure of reinsurers to honour their obligations could result in losses to Lifeco. Lifeco evaluates the financial condition of its reinsurers to minimize its exposure to significant losses from reinsurer insolvencies.

Certain of the reinsurance contracts are on a funds-withheld basis where Lifeco retains the assets supporting the reinsured insurance contract liabilities, thus minimizing the exposure to significant losses from reinsurer insolvency on those contracts.

Discount Rates

The following tables provide the lower and upper end of the range of the spot rates used by Lifeco to discount liability cash flows by major currency:

December 31, 2023		Year 1	Year 5	Year 10	Year 20	Year 30	Year 50
CAD	Lower	6.0%	4.5%	4.4%	4.3%	4.2%	4.5%
	Upper	6.4%	4.9%	4.9%	4.9%	4.8%	4.9%
USD	Lower	5.7%	4.8%	4.8%	5.3%	4.9%	4.7%
	Upper	6.1%	5.2%	5.3%	5.8%	5.4%	5.0%
EUR	Lower	3.2%	2.1%	2.2%	2.5%	2.9%	4.3%
	Upper	4.8%	3.6%	3.8%	4.1%	4.2%	4.5%
GBP	Lower	4.9%	3.8%	4.0%	4.7%	4.6%	3.7%
	Upper	5.9%	4.8%	5.1%	5.7%	5.6%	4.7%

December 31, 2022		Year 1	Year 5	Year 10	Year 20	Year 30	Year 50
CAD	Lower	5.9%	4.8%	4.8%	4.9%	4.7%	5.0%
	Upper	6.3%	5.3%	5.3%	5.3%	5.2%	5.1%
USD	Lower	5.9%	5.3%	5.1%	5.6%	5.2%	4.9%
	Upper	6.3%	5.7%	5.5%	6.0%	5.6%	5.0%
EUR	Lower	2.5%	2.8%	2.8%	2.9%	3.1%	4.3%
	Upper	4.2%	4.5%	4.5%	4.6%	4.5%	4.6%
GBP	Lower	4.0%	4.2%	4.3%	4.6%	4.4%	3.8%
	Upper	5.3%	5.4%	5.5%	5.9%	5.7%	5.1%

The spot rates 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 12 REINSURANCE CONTRACTS HELD

ANALYSIS BY REMAINING COVERAGE AND INCURRED CLAIMS

	Asset for remaining coverage		Asset for incurred claims			
				Contracts under PAA		
December 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 statements of earnings and of comprehensive income						
Net expenses from reinsurance contracts	(3,676)	28	1,319	784	1	(1,544)
Investment components	(107)	–	107	–	–	–
Net finance income (expenses) from reinsurance contracts, excluding the effect of changes in non-performance risk of reinsurers	184	6	34	–	–	224
Effect of movement in exchange rates	(189)	–	11	3	–	(175)
Total changes in the statements of earnings and of comprehensive income	(3,788)	34	1,471	787	1	(1,495)
Cash flows						
Premiums paid	6,930	–	–	–	–	6,930
Incurred claims received and other insurance service amounts received	–	–	(1,426)	(861)	–	(2,287)
Other cash flows [1]	(3,341)	–	–	–	–	(3,341)
Total cash flows	3,589	–	(1,426)	(861)	–	1,302
Other movements [2]	(157)	–	–	–	–	(157)
Net closing balance [3]	15,096	110	1,220	246	12	16,684
Recorded in:						
Closing assets	15,981	90	1,002	247	12	17,332
Closing liabilities	(885)	20	218	(1)	–	(648)
Net closing balance [3]	15,096	110	1,220	246	12	16,684

[1] Other cash flows includes premiums to be settled via FCB, claims to be settled via FCB, and net settlements.

[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] Included in the reinsurance contracts held amounts are funds withheld by Lifeco under reinsurance contracts of $4,491 million.

NOTE 12 REINSURANCE CONTRACTS HELD (continued)

	Asset for remaining coverage		Asset for incurred claims			
				Contracts under PAA		
December 31, 2022	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	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 statements of earnings and of comprehensive income						
Net expenses from reinsurance contracts	(3,538)	17	1,196	788	6	(1,531)
Investment components	(63)	–	63	–	–	–
Net finance income (expenses) from reinsurance contracts, excluding the effect of changes in non-performance risk of reinsurers	(1,180)	(6)	(50)	(12)	(3)	(1,251)
Effect of movement in exchange rates	737	–	5	(3)	–	739
Total changes in the statements of earnings and of comprehensive income	(4,044)	11	1,214	773	3	(2,043)
Cash flows						
Premiums paid	3,308	–	–	–	–	3,308
Incurred claims received and other insurance service amounts received	–	–	(1,034)	(794)	–	(1,828)
Other cash flows [1]	29	–	–	–	–	29
Total cash flows	3,337	–	(1,034)	(794)	–	1,509
Other movements [2]	(2,952)	–	(32)	(1)	–	(2,985)
Net closing balance [3]	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 [3]	15,452	76	1,175	320	11	17,034

[1] Other cash flows includes premiums to be settled via FCB, claims to be settled via FCB, and net settlements.

[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] Included in the reinsurance contracts held amounts are funds withheld by Lifeco under reinsurance contracts of $1,039 million.

NOTE 12 **REINSURANCE CONTRACTS HELD** (continued)

ANALYSIS BY MEASUREMENT COMPONENT FOR REINSURANCE CONTRACTS HELD NOT MEASURED UNDER PAA

December 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 statements of earnings and of comprehensive income				
Changes that relate to current service				
CSM recognized for services received	–	–	(102)	(102)
Change in risk adjustment for non-financial risk for risk expired	–	(156)	–	(156)
Experience adjustments	40	(1)	–	39
Changes that relate to future service				
Contracts initially recognized in the year	(85)	69	22	6
Changes in estimates that adjust the CSM	(332)	158	174	–
Changes in estimates that result in losses and reversal of losses on onerous contracts	20	10	–	30
Changes that relate to past service				
Changes in amounts recoverable arising from changes in liability for incurred claims	(4)	(1)	–	(5)
Net expenses from reinsurance contracts	(361)	79	94	(188)
Net finance income (expenses) from reinsurance contracts, excluding the effect of changes in non-performance risk of reinsurers	62	152	13	227
Effect of movement in exchange rates	(181)	7	(5)	(179)
Total changes in the statements of earnings and of comprehensive income	(480)	238	102	(140)
Cash flows				
Premiums paid	4,834	–	–	4,834
Incurred claims received and other insurance service amounts received	(1,427)	–	–	(1,427)
Other cash flows [1]	(3,341)	–	–	(3,341)
Total cash flows	66	–	–	66
Other movements [2]	(157)	–	–	(157)
Net closing balance	13,762	1,729	1,113	16,604
Recorded in:				
Closing assets	16,181	866	163	17,210
Closing liabilities	(2,419)	863	950	(606)
Net closing balance	13,762	1,729	1,113	16,604

[1] Other cash flows includes premiums to be settled via FCB, claims to be settled via FCB, and net settlements.

[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 12 REINSURANCE CONTRACTS HELD (continued)

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 statements of earnings and of 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 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	(787)	(472)	27	(1,232)
Effect of movement in exchange rates	759	(10)	(6)	743
Total changes in the statements 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 premiums to be settled via FCB, claims to be settled via FCB, and net settlements.

[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 12 **REINSURANCE CONTRACTS HELD** (continued)

EFFECT ON MEASUREMENT COMPONENTS OF REINSURANCE CONTRACTS INITIALLY RECOGNIZED IN THE YEAR

	December 31, 2023	December 31, 2022
Estimates of present value of cash outflows	882	1,199
Estimates of present value of cash inflows	(797)	(1,086)
Risk adjustment for non-financial risk	(69)	(74)
Income recognized on initial recognition	6	14
Contractual service margin	(22)	(53)

Lifeco did not acquire any reinsurance contracts held through transfer or business combination.

EXPECTED REMAINING CSM RECOGNITION

	December 31, 2023	December 31, 2022
1 year or less	(122)	(91)
1-2 years	(108)	(82)
2-3 years	(97)	(75)
3-4 years	(86)	(68)
4-5 years	(77)	(61)
5-10 years	(266)	(253)
Over 10 years	(357)	(381)
	(1,113)	(1,011)

NOTE 13 INVESTMENT CONTRACT LIABILITIES

Change in investment contract liabilities measured at fair value is as follows:

	December 31, 2023	December 31, 2022
Balance, beginning of year	94,810	53,694
Impact of acquired business	–	44,905
Normal change in in-force business	(9,356)	(1,544)
Investment experience	4,806	(8,454)
Management actions and changes in assumptions	(9)	(13)
Impact of foreign exchange rate changes	(1,332)	6,222
Balance, end of year	88,919	94,810

All investment contract liabilities are measured at FVPL.

NOTE 14 SEGREGATED FUNDS AND OTHER STRUCTURED ENTITIES

Lifeco offers segregated fund products in Canada, the U.S. and Europe that are referred to as segregated funds, separate accounts and unit-linked funds in the respective markets. These funds are contracts issued by insurers to segregated fund policyholders where the benefit is directly linked to the performance of the investments, the risks or rewards of the fair value movements and net investment income is realized by the segregated fund policyholders. The segregated fund policyholders are required to select segregated funds that hold a range of underlying investments. While Lifeco has legal title to the investments, there is a contractual obligation to pass along the investment results to the segregated fund policyholder. These investments are segregated from those of Lifeco itself.

In Canada and the U.S., the segregated fund and separate account assets are legally separated from the general assets of Lifeco under the terms of the policyholder agreement and cannot be used to settle obligations of Lifeco. In Europe, the assets of the funds are functionally and constructively segregated from those of Lifeco. As a result of the legal and constructive arrangements of these funds, the assets of these funds are presented on the balance sheets as investments on account of segregated fund policyholders and the associated liabilities as investment contracts on account of segregated fund policyholders and insurance contracts on account of segregated fund policyholders.

In circumstances where the segregated funds are invested in structured entities and are deemed to control the entity, Lifeco has presented the non-controlling ownership interest within the segregated funds for the risk of policyholders as equal and offsetting amounts in the assets and liabilities. The amounts presented within are $6,070 million at December 31, 2023 ($6,388 million at December 31, 2022).

Within the statements of earnings, all segregated fund policyholders' income, including fair value changes and net investment income, is credited to the segregated fund policyholders and reflected in the assets and liabilities on account of segregated fund policyholders within the balance sheets. These revenues and expenses are presented in the statements of earnings where the contracts with the segregated fund policyholders are classified as insurance contracts.

Segregated Funds Guarantee Exposure

Lifeco offers retail segregated fund products, unitized with profits products and variable annuity products that provide for certain guarantees that are tied to the market values of the investment funds. While these products are similar to mutual funds, there is a key difference from mutual funds as the segregated funds have certain guarantee features that protect the segregated fund policyholder from market declines in the underlying investments. These guarantees are Lifeco's primary exposure on these funds. Lifeco accounts for these guarantees within insurance and investment contract liabilities in the financial statements. In addition to Lifeco's exposure on the guarantees, the fees earned by Lifeco on these products are impacted by the market value of these funds.

In Canada, Lifeco offers retail segregated fund products through Canada Life. These products provide guaranteed minimum death benefits and guaranteed minimum accumulation on maturity benefits.

In the U.S., Lifeco has a mix of open and closed blocks of group variable annuities with guaranteed minimum withdrawal benefits and a closed block of group standalone guaranteed minimum death benefits products which mainly provide return of premium on death. A block of guaranteed minimum withdrawal benefits policies was acquired from Prudential on April 1, 2022.

In Europe, Lifeco offers unitized with profits products in Germany and unit-linked products with investment guarantees in Ireland. These products are similar to segregated fund products but include minimum credited interest rates and pooling of policyholders' funds.

Lifeco also offers guaranteed minimum withdrawal benefits products in the U.S. and Germany, and previously offered guaranteed minimum withdrawal benefits products in Canada and Ireland. Certain guaranteed minimum withdrawal benefits products offered by Lifeco offer levels of death and maturity guarantees. At December 31, 2023, the amount of guaranteed minimum withdrawal benefits products in force in Canada, the U.S., Ireland and Germany was $7,343 million ($7,033 million at December 31, 2022).

NOTE 14 **SEGREGATED FUNDS AND OTHER STRUCTURED ENTITIES** (continued)

The following presents further 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

	December 31, 2023	December 31, 2022 [1]
Cash and cash equivalents	15,024	14,562
Bonds	72,111	69,371
Mortgage loans	2,022	2,159
Shares and units in unit trusts	130,415	117,863
Mutual funds	188,549	168,459
Investment properties	12,071	13,035
	420,192	385,449
Accrued income	832	692
Other liabilities	(4,138)	(4,647)
Non-controlling mutual fund interest	6,070	6,388
Total [2]	422,956	387,882

[1] Certain comparative figures have been adjusted to conform to the current year's presentation. These adjustments had no impact on the equity or net earnings of the Corporation.

[2] At December 31, 2023, $64,097 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 $72 million of cash and cash equivalents, $11,133 million of bonds, $15 million of shares and units in unit trusts, $52,816 million of mutual funds, $89 million of accrued income and $28 million of other liabilities.

INSURANCE AND INVESTMENT CONTRACTS ON ACCOUNT OF SEGREGATED FUND POLICYHOLDERS

	December 31, 2023	December 31, 2022
Insurance contracts on account of segregated fund policyholders	60,302	57,841
Investment contracts on account of segregated fund policyholders	362,654	330,041
	422,956	387,882

NOTE 14 **SEGREGATED FUNDS AND OTHER STRUCTURED ENTITIES** (continued)

INSURANCE CONTRACTS ON ACCOUNT OF SEGREGATED FUND POLICYHOLDERS

Effect on Measurement Components of Contracts Initially Recognized in the Year

December 31, 2023	Profitable contracts issued	Onerous contracts issued	Total
Insurance acquisition cash flows	–	–	–
Claims and other insurance service expenses payable	3,367	–	3,367
Estimates of present value of cash outflows	3,367	–	3,367
Estimates of present value of cash inflows	(3,367)	–	(3,367)
Risk adjustment for non-financial risk	–	–	–
Total losses (gains) recognized on initial recognition	–	–	–

December 31, 2022	Profitable contracts issued	Onerous contracts issued	Total
Insurance acquisition cash flows	–	–	–
Claims and other insurance service expenses payable	4,275	–	4,275
Estimates of present value of cash outflows	4,275	–	4,275
Estimates of present value of cash inflows	(4,275)	–	(4,275)
Risk adjustment for non-financial risk	–	–	–
Total losses (gains) recognized on initial recognition	–	–	–

INVESTMENT AND INSURANCE CONTRACTS ON ACCOUNT OF SEGREGATED FUNDS POLICYHOLDERS

	Years ended December 31,	
	2023	2022 [1]
Balance, beginning of year	387,882	357,419
Additions (deductions):		
Policyholder deposits	51,236	40,618
Net investment income	7,333	8,019
Net realized capital gains on investments	6,430	1,082
Net unrealized capital gains (losses) on investments	33,660	(62,823)
Unrealized gains (losses) due to changes in foreign exchange rates	(1,033)	9,487
Policyholder withdrawals	(59,686)	(46,859)
Portfolio transfer (Note 4) / business acquisitions	(2,662)	77,700
Change in segregated fund investment in general fund	54	64
Change in general fund investment in segregated fund	14	(14)
Net transfer (to) from general fund	46	(74)
Non-controlling mutual fund interest	(318)	3,263
	35,074	30,463
Balance, end of year	422,956	387,882

[1] Certain comparative figures have been adjusted to conform to the current year's presentation. These adjustments had no impact on the equity or net earnings of the Corporation.

INVESTMENTS ON ACCOUNT OF SEGREGATED FUND POLICYHOLDERS
(by fair value hierarchy level)

				December 31, 2023
	Level 1	Level 2	Level 3	Total
Investments on account of segregated fund policyholders [1]	299,451	113,199	13,792	426,442

[1] Excludes other liabilities, net of other assets, of $3,486 million.

				December 31, 2022 [2]
	Level 1	Level 2	Level 3	Total
Investments on account of segregated fund policyholders [1]	270,892	106,720	14,455	392,067

[1] Excludes other liabilities, net of other assets, of $4,185 million.

[2] Certain comparative figures have been adjusted to conform to the current year's presentation. These adjustments had no impact on the equity or net earnings of the Corporation.

NOTE 14 SEGREGATED FUNDS AND OTHER STRUCTURED ENTITIES (continued)

In 2023, certain foreign equity holdings valued at $56 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.

As at December 31, 2023, $3,912 million ($3,928 million at December 31, 2022) of the segregated funds were invested in funds managed by IG Wealth Management and Mackenzie Investments, subsidiaries of IGM and related parties.

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:

	December 31, 2023	December 31, 2022
Balance, beginning of year	14,455	13,822
Total losses included in segregated fund investment income	(1,073)	(310)
Purchases	795	1,011
Sales	(445)	(366)
Transfers into Level 3	350	343
Transfers out of Level 3	(290)	(45)
Balance, end of year	13,792	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.

In addition to the segregated funds, Lifeco has interests in a number of structured unconsolidated entities including mutual funds, open-ended investment companies, and unit trusts. These entities are created as investment strategies for its unit holders based on the directive of each individual fund.

Some of these funds are sub-advised by related parties of Lifeco, which are paid sub-advisory fees at normal market rates for their services.

Lifeco earns management fees related to managing the segregated fund products. Management fees can be variable due to the performance of factors, such as markets or industries, in which the fund invests. Fee income derived in connection with the management of investment funds generally increases or decreases in direct relationship with changes of assets under management, which is affected by prevailing market conditions, and the inflow and outflow of client assets.

Factors that could cause assets under management and fees to decrease include declines in equity markets, changes in fixed income markets, changes in interest rates and defaults, redemptions and other withdrawals, political and other economic risks, changing investment trends and relative investment performance. The risk is that fees may vary but expenses and recovery of initial expenses are relatively fixed, and market conditions may cause a shift in asset mix potentially resulting in a change in revenue.

Fee income earned by Lifeco resulting from Lifeco's interests in segregated funds and other structured entities was $4,020 million for the year ended December 31, 2023 ($3,911 million in 2022).

Included within other assets (Note 9) at December 31, 2023 is $2,878 million ($2,777 million at December 31, 2022) of investments by Lifeco in bonds and shares of Empower and other sponsored funds and $160 million ($195 million at December 31, 2022) of investments in shares of sponsored unit trusts in Europe.

NOTE 15 OBLIGATIONS TO SECURITIZATION ENTITIES

IGM 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 IGM retains prepayment risk and certain elements of credit risk. Accordingly, IGM 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 carried at amortized cost.

IGM earns interest on the mortgages and pays interest on the obligations to securitization entities. As part of the CMB transactions, IGM enters into a swap transaction whereby IGM 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 $4.8 million at December 31, 2023 (positive fair value of $1 million in 2022).

All mortgages securitized under the NHA MBS and CMB Programs are insured by CMHC or another approved insurer under the program. As part of the ABCP transactions, IGM 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 IGM's other assets for failure to make payments when due.

	December 31, 2023			December 31, 2022		
	Securitized mortgages	Obligations to securitization entities	Net	Securitized mortgages	Obligations to securitization entities	Net
Carrying value						
NHA MBS and CMB Programs	2,409	2,389	20	2,494	2,460	34
Bank-sponsored ABCP	2,314	2,299	15	2,143	2,150	(7)
Total	4,723	4,688	35	4,637	4,610	27
Fair value	4,691	4,696	(5)	4,532	4,544	(12)

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 using an effective interest rate method.

NOTE 16 POWER CORPORATION'S DEBENTURES AND OTHER DEBT INSTRUMENTS

	December 31, 2023		December 31, 2022	
	Carrying value	Fair value	Carrying value	Fair value
POWER CORPORATION				
Debentures – unsecured				
8.57% debentures due April 22, 2039	150	200	150	199
4.81% debentures due January 31, 2047	249	245	249	232
4.455% debentures due July 27, 2048	248	225	248	219
Total Power Corporation	647	670	647	650

There are no principal repayments on debentures in each of the next five years.

The Corporation has a line of credit of $500 million bearing interest at Adjusted Term SOFR plus 0.70%. At December 31, 2023 and 2022, the Corporation was not using its line of credit.

NOTE 17 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.

	December 31, 2023		December 31, 2022	
	Carrying value	Fair value	Carrying value	Fair value
POWER FINANCIAL				
Debentures – unsecured				
6.90% debentures due March 11, 2033	250	275	250	283
Total Power Financial	250	275	250	283
LIFECO				
Debentures and senior bonds – unsecured				
2.50% senior bonds due April 18, 2023 (€500 million) [1]	–	–	725	724
1.75% senior bonds due December 7, 2026 (€500 million) [1]	728	703	722	665
3.337% debentures due February 28, 2028	499	483	498	467
6.40% subordinated debentures due December 11, 2028	100	109	100	108
4.70% senior bonds due November 16, 2029 (€500 million) [1]	726	784	721	744
2.379% debentures due May 14, 2030	598	540	597	507
6.74% debentures due November 24, 2031	196	229	196	223
6.67% debentures due March 21, 2033	395	461	395	447
5.998% debentures due November 16, 2039	343	396	343	372
2.981% debentures due July 8, 2050	494	388	494	342
7.529% capital trust debentures due June 30, 2052 (face value of $150 million)	156	179	157	177
	4,235	4,272	4,948	4,776
Other debt Instruments – unsecured				
Commercial paper and other short-term debt instruments with interest rate of 5.729% (4.628% at December 31, 2022)	132	132	135	135
Revolving credit facility with interest based on Adjusted Term SOFR (US$45 million) (US$50 million at December 31, 2022)	60	60	67	67
Non-revolving credit facility with interest based on Adjusted Term SOFR (US$500 million at December 31, 2022)	–	–	675	675
0.904% senior notes due August 12, 2025 (US$500 million)	663	621	672	600
1.357% senior notes due September 17, 2027 (US$400 million)	530	475	538	451
4.047% senior notes due May 17, 2028 (US$300 million)	398	388	403	380
1.776% senior notes due March 17, 2031 (US$400 million)	530	429	537	406
4.15% senior notes due June 3, 2047 (US$700 million)	917	787	930	729
4.581% senior notes due May 17, 2048 (US$500 million)	659	597	669	555
3.075% senior notes due September 17, 2051 (US$700 million)	922	643	935	588
	4,811	4,132	5,561	4,586
Total Lifeco	9,046	8,404	10,509	9,362

[1] Designated by Lifeco as hedges of the net investment in foreign operations.

NOTE 17 NON-RECOURSE DEBENTURES AND OTHER DEBT INSTRUMENTS (continued)

	December 31, 2023		December 31, 2022	
	Carrying value	Fair value	Carrying value	Fair value
IGM FINANCIAL				
Debentures – unsecured				
3.44% debentures due January 26, 2027	400	386	400	375
6.65% debentures due December 13, 2027	125	133	125	133
7.45% debentures due May 9, 2031	150	173	150	171
7.00% debentures due December 31, 2032	175	202	175	196
7.11% debentures due March 7, 2033	150	174	150	169
6.00% debentures due December 10, 2040	200	226	200	213
4.56% debentures due January 25, 2047	200	192	200	177
4.115% debentures due December 9, 2047	250	225	250	206
4.174% debentures due July 13, 2048	200	182	200	166
4.206% debentures due March 21, 2050	250	227	250	208
5.426% debentures due May 26, 2053	300	333	–	–
Debentures of IGM held by Lifeco as investments	(88)	(88)	(88)	(85)
Total IGM	2,312	2,365	2,012	1,929
Total Power Financial, Lifeco and IGM	11,608	11,044	12,771	11,574

LIFECO

On April 18, 2023, Lifeco repaid the principal amount of its maturing 2.50% €500 million senior bonds, together with accrued interest.

Capital Trust Debentures

Canada Life Capital Trust (CLCT), a trust established by Canada Life, had issued $150 million of Canada Life Capital Securities – Series B (CLiCS – Series B), the proceeds of which were used by CLCT to purchase Canada Life senior debentures in the amount of $150 million.

Distributions and interest on the capital trust debentures are classified as financing charges in the statements of earnings (Note 27). The fair value for capital trust securities is determined by the bid-ask price.

Subject to regulatory approval, CLCT may redeem the CLiCS – Series B, in whole or in part, at any time.

IGM FINANCIAL

On May 26, 2023, IGM issued $300 million aggregate principal amount 5.426% debentures, maturing on May 26, 2053.

In addition, in 2023, Schedule I Canadian chartered banks provided IGM with a non-revolving credit facility of $550 million. IGM drew on the facility during 2023 and repaid the balance prior to year-end. Interest rates on the credit facility fluctuate with Canadian bankers' acceptances.

NOTE 17 **NON-RECOURSE DEBENTURES AND OTHER DEBT INSTRUMENTS** (continued)

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.

	December 31, 2023	December 31, 2022
Balance, beginning of the year	12,771	11,066
Issue of debentures and senior bonds	300	691
Increase in other debt instruments	611	1,101
Repayment of senior bonds	(735)	–
Decrease in other debt instruments	(1,284)	(495)
Changes in foreign exchange rates and other	(55)	408
Balance, end of year	11,608	12,771

The principal repayments on debentures and other debt instruments in each of the next five years and thereafter are as follows:

2024	192
2025	665
2026	730
2027	1,024
2028	999
Thereafter	8,053

NOTE 17 **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.

	December 31, 2023		December 31, 2022	
	Carrying value	Fair value	Carrying value	Fair value
OTHER DEBT INSTRUMENTS				
Investment Funds and Other – secured				
Revolving credit facility up to $10 million, with interest equal to prime rate plus 0.15%	3	3	24	24
Revolving credit facility up to US$75 million, with interest equal to the U.S. base rate minus 0.35% (US$63 million) (US$10 million at December 31, 2022)	84	84	13	13
Revolving credit facility up to $525 million, with interest equal to prime rate plus 0.6%, U.S. base rate plus 0.6% or SOFR plus 1.6% (US$160 million) ($1 million and US$35 million at December 31, 2022)	211	211	48	48
Revolving credit facility up to $12 million, with interest equal to prime rate plus 0.25%	1	1	–	–
Senior loan due in June 2029, with interest equal to Euribor plus 1% (€20 million)	–	–	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%, SOFR plus 2.25% and U.S. base rate plus 1.25% ($518 million and US$220 million) ($361 million and US$186 million at December 31, 2022)	809	854	613	620
Loan facilities due from June 2024 to December 2037, bearing interest at various rates from 3.33% to 6.0%	521	490	560	519
Loan facilities due from March 2027 to December 2059, bearing interest at various rates from 3.62% to 6.50% and prime rate plus 1.5% ($639 million and US$19 million) ($322 million and US$19 million at December 31, 2022)	664	633	348	302
Loan facilities due from June 2025 to March 2048, bearing interest at various rates from 2.73% to 6.89% and SOFR plus 2.25% (US$307 million) (US$109 million at December 31, 2022)	405	401	148	150
Mezzanine loans due from January 2035 to June 2035, bearing interest at various rates from 7.36% to 7.5%	91	86	94	88
Standalone Businesses – secured				
Revolving credit facility and term loan facilities 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%	163	164	80	80
Subordinated term facility of $65 million, bearing interest at 12.0%, principal and accrued interest payable at maturity in June 2026	65	66	–	–
Total alternative asset investment platforms and other	3,017	2,993	1,956	1,872

NOTE 17 **NON-RECOURSE DEBENTURES AND OTHER DEBT INSTRUMENTS** (continued)

RENEWABLE ENERGY

During the third quarter of 2023, Power Sustainable Energy Infrastructure Partnership (PSEIP) issued non-recourse senior notes of US$202 million, bearing interest at a rate of 6.89% and maturing in March 2048. The proceeds were used to reimburse certain construction and loan facilities which bore interest at various variable rates (SOFR plus 2.25% and U.S. base rate plus 1.25%). Also, PSEIP increased its credit facility by $200 million to $525 million, of which $200 million is only available by way of letters of credit.

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.

	December 31, 2023	December 31, 2022
Balance, beginning of the year	1,956	1,467
Acquisitions	181	25
Derecognition	(28)	(46)
Increase in other debt instruments	1,559	621
Decrease in other debt instruments	(604)	(135)
Changes in foreign exchange rates and other	(47)	24
Balance, end of year	3,017	1,956

The principal repayments on other debt instruments in each of the next five years and thereafter are as follows:

2024	751
2025	277
2026	193
2027	129
2028	127
Thereafter	1,600

NOTE 18 OTHER LIABILITIES

	December 31, 2023	December 31, 2022
Accounts payable	3,954	3,675
Bank overdraft	243	274
Dividends and interest payable	525	545
Income taxes payable	154	162
Deferred income reserves	256	293
Deposits and certificates [1]	8,713	5,978
Pension and other post-employment benefits [Note 28]	979	928
Lease liabilities	740	916
Limited-life and redeemable fund units	1,833	1,697
Other	8,971	7,700
	26,368	22,168

[1] Deposits and certificates are primarily offset by client funds on deposit included in other assets (Note 9).

Other liabilities of $21,977 million as at December 31, 2023 ($17,315 million as at December 31, 2022) are expected to be settled within 12 months.

LEASE LIABILITIES

The changes in the lease liabilities are as follows:

	December 31, 2023	December 31, 2022
Lease liabilities, beginning of year	916	886
Additions	117	122
Modifications	(30)	2
Lease payments	(120)	(144)
Interest	28	35
Transfer to liabilities held for sale	(157)	–
Change in foreign exchange rates and other	(14)	15
Lease liabilities, end of year	740	916

The table below presents the contractual undiscounted cash flows for lease obligations in each of the next five years and thereafter:

2024	117
2025	99
2026	94
2027	91
2028	79
Thereafter	509
Total undiscounted lease liabilities at December 31, 2023	989

NOTE 19 INCOME TAXES

INCOME TAXES

The components of the income tax expense recognized in the statements of earnings are:

	Years ended December 31, 2023	2022
Current taxes	748	752
Deferred taxes		
Origination and reversal of temporary differences	(485)	(118)
Derecognition of previously recognized tax losses, tax credits and temporary differences	–	21
Change in tax rates and other	–	(9)
	(485)	(106)
	263	646

The following table shows current and deferred taxes relating to items not recognized in the statements of earnings:

	December 31, 2023		December 31, 2022	
	Other comprehensive income	Equity	Other comprehensive income	Equity
Current tax expense (recovery)	42	(1)	(157)	(1)
Deferred tax expense	37	1	77	7
	79	–	(80)	6

EFFECTIVE INCOME TAX RATE

The Corporation's effective income tax rate is derived as follows:

	Years ended December 31, 2023	2022
	%	%
Combined statutory Canadian federal and provincial tax rates	26.5	26.5
Increase (decrease) in the income tax rate resulting from:		
Non-taxable investment income	(6.1)	(4.8)
Different tax rates applicable in local and foreign jurisdictions	(12.4)	(6.7)
Share of earnings (losses) of investments in jointly controlled corporations and associates	(3.1)	(0.4)
Other	1.8	0.2
Effective income tax rate	6.7	14.8

NOTE 19 **INCOME TAXES** (continued)

DEFERRED TAXES

Composition and changes in net deferred taxes are as follows:

For the year ended December 31, 2023	Insurance and investment contract liabilities	Investments and investments in associates	Loss carry forwards	Intangible assets	Defined benefit plans	Tax credits and other	Total
Balance, beginning of year	(3,064)	2,163	1,711	(1,167)	10	566	219
Recognized in							
Statements of earnings	1,098	(667)	(43)	(38)	4	131	485
Statements of comprehensive income	–	(63)	–	–	41	(15)	(37)
Statements of changes in equity	–	–	(6)	–	–	5	(1)
Foreign exchange rate changes and other	(761)	967	(14)	49	31	(260)	12
Balance, end of year	(2,727)	2,400	1,648	(1,156)	86	427	678

For the year ended December 31, 2022	Insurance and investment contract liabilities	Investments and investments in associates	Loss carry forwards	Intangible assets	Defined benefit plans	Tax credits and other	Total
Balance, beginning of year	752	(1,413)	1,484	(1,184)	227	352	218
Recognized in							
Statements of earnings [1]	(3,658)	3,493	142	(46)	(42)	138	27
Statements of comprehensive income	–	96	–	–	(177)	4	(77)
Statements of changes in equity	–	–	(7)	(4)	–	4	(7)
Business acquisitions	(90)	(4)	–	127	1	35	69
Foreign exchange rate changes and other	(68)	(9)	92	(60)	1	33	(11)
Balance, end of year	(3,064)	2,163	1,711	(1,167)	10	566	219

[1] Includes net deferred tax expenses of $79 million related to discontinued operations.

	December 31, 2023	December 31, 2022
Presented on the balance sheets as follows:		
Deferred tax assets	1,894	1,505
Deferred tax liabilities	(1,216)	(1,286)
	678	219

Management of the Corporation and of its subsidiaries assess the recoverability of the deferred tax asset carrying values based on future years' taxable income projections and believes the carrying values of the deferred tax assets as of December 31, 2023 are recoverable.

At December 31, 2023, a deferred tax asset of $1,545 million ($1,619 million at December 31, 2022) is recognized by Lifeco on tax loss carry forwards totalling $7,021 million. Of this amount, $4,522 million expires between 2026 and 2043, while $2,499 million has no expiry date. Lifeco will realize this benefit in future years through a reduction in current income taxes payable.

NOTE 19 **INCOME TAXES** (continued)

One U.S. subsidiary of Lifeco has had a history of losses. The subsidiary has a net deferred tax asset balance of $499 million (US$376 million) as at December 31, 2023, composed principally of net operating losses. Management of Lifeco has concluded that it is probable that the subsidiary and other historically profitable subsidiaries with which it files or intends to file a consolidated U.S. income tax return will generate sufficient taxable income to utilize the unused U.S. losses and deductions.

As at December 31, 2023, the Corporation and its subsidiaries have non-capital losses of $2,085 million ($1,944 million in 2022) available to reduce future taxable income for which the benefits have not been recognized. Of this amount, $1,966 million expires from 2024 to 2043, while $119 million has no expiry date. In addition, the Corporation and its subsidiaries have capital loss carry forwards of $593 million ($559 million in 2022) to offset future capital gains for which the benefits have not been recognized. Of this amount, $96 million expires in 2028 and $497 million can be used indefinitely.

As at December 31, 2023, the Corporation and its subsidiaries have deductible temporary differences of $710 million ($621 million in 2022) for which the benefits have not been recognized. As at December 31, 2023 and 2022, no deferred tax liability was recognized in respect to temporary differences associated with investments in subsidiaries and jointly controlled corporations as the Corporation and its subsidiaries are 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.

In December 2021, the OECD published the Pillar Two model rules outlining a structure for a new 15% global minimum tax regime. A number of countries in which the Corporation and its subsidiaries operate, including Ireland, Germany and the U.K., have enacted legislation which will be effective for the Corporation and its subsidiaries as of January 1, 2024. Canada and Barbados have published draft legislation which is not substantively enacted but when enacted, is expected to be effective for the Corporation and its subsidiaries as of January 1, 2024.

The global minimum tax is very complex in nature and will require significant interpretation of each country's new legislation. The Corporation and its subsidiaries have performed a preliminary assessment and have identified potential exposure to Pillar Two income taxes, mainly in respect of Lifeco’s operations in Barbados, Ireland and Isle of Man, jurisdictions where the statutory tax rate is below 15%. Based on this preliminary assessment, the Corporation expects an increase in the effective income tax rate; however, it is not expected to have a material impact on the Corporation’s financial statements.

NOTE 20 SHARE 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

	December 31, 2023		December 31, 2022	
	Number of shares	Share capital	Number of shares	Share 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	1,273,542	42	1,683,043	52
Purchased for cancellation under Normal Course Issuer Bid	(16,105,400)	(244)	(11,219,400)	(169)
Balance, end of year	597,387,873	9,051	612,219,731	9,253
Total Participating Shares		9,284		9,486

Non-Participating Shares

During the year ended December 31, 2022, the Corporation redeemed all 86,100 of its outstanding Cumulative Redeemable First Preferred Shares, 1986 Series for $50.00 per share.

The following First Preferred Shares series are entitled to fixed non-cumulative preferential cash dividends payable quarterly. The Corporation may redeem for cash the First Preferred Shares in whole or in part, at the Corporation's option, with all declared and unpaid dividends to, but excluding, the date of redemption. The dividends and redemption terms are as follows:

First Preferred Shares	Cash dividends payable quarterly	Earliest issuer redemption date	Redemption price
	($/share)		($/share)
Non-cumulative, fixed rate			
Series A, 5.60%	0.350000	Currently redeemable	25.00
Series B, 5.35%	0.334375	Currently redeemable	25.00
Series C, 5.80%	0.362500	Currently redeemable	25.00
Series D, 5.00%	0.312500	Currently redeemable	25.00
Series G, 5.60%	0.350000	Currently redeemable	25.00

Participating Shares

Participating Preferred Shares are entitled to ten votes per share; and, subject to the rights of holders of the First Preferred Shares, to a non-cumulative dividend of 0.938¢ per share per annum before dividends on the Subordinate Voting Shares and have the further right to participate, share and share alike, with the holders of the Subordinate Voting Shares in any dividends that may be paid with respect to the Subordinate Voting Shares.

Subordinate Voting Shares are entitled to one vote per share. In 2023, 1,273,542 Subordinate Voting Shares (1,683,043 in 2022) were issued under the Corporation's Executive Stock Option Plan for a consideration of $38 million ($47 million in 2022).

Dividends declared on the Corporation's participating shares in 2023 were $2.10 per share ($1.98 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 (11,219,400 Subordinate Voting Shares for a total of $415 million in 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 year ended December 31, 2023, the Corporation purchased for cancellation 16,105,400 Subordinate Voting Shares pursuant to this NCIB for a total of $583 million.

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 share capital was $339 million and was recognized as a reduction to retained earnings ($246 million in 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.

Subsequent event

On March 1, 2024, the Corporation commenced a NCIB which is effective until the earlier of February 28, 2025 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 25 million of its Subordinate Voting Shares outstanding (representing approximately 4.6% of the public float of Subordinate Voting Shares outstanding at February 16, 2024) at market prices. At March 20, 2024, the Corporation has repurchased 2,443,800 Subordinate Voting Shares for a total of $94 million under the NCIB programs.

NOTE 21 SHARE-BASED COMPENSATION

STOCK OPTION PLAN

There are 20,817,101 Subordinate Voting Shares and 10,177,189 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). The plans require that the exercise price of the option must not be less than the market value of a share on the date of the grant of the option.

A summary of the status of the Corporation's Stock Option Plans, including tandem share appreciation rights (TSAR or TSARs), as at December 31, 2023 and 2022, and changes during the respective years ended is as follows:

	2023		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	(3,313,542)	28.98	(2,658,043)	27.70
Forfeited and expired	(4,996)	36.93	(1,565)	38.34
Outstanding, end of year	23,532,731	32.41	25,567,243	31.86
Options exercisable, end of year	18,418,324	31.76	18,576,247	31.10

The following table summarizes information about stock options, including TSARs, outstanding at December 31, 2023:

		Options outstanding			Options exercisable	
Range of exercise prices	Expiry date	Options	Weighted-average remaining life	Weighted-average exercise price	Options	Weighted-average exercise price
$			(yrs)	$		$
29.91 – 32.78	2024	2,642,005	0.5	31.47	2,642,005	31.47
31.79 – 36.53	2025	3,578,439	1.2	34.47	3,128,439	34.50
27.30 – 30.79	2026	2,693,490	2.2	30.00	2,693,490	30.00
29.61 – 33.68	2027	2,472,527	3.2	32.80	2,472,527	32.80
28.51 – 34.54	2028	3,314,440	4.3	29.74	3,229,994	29.62
31.12 – 31.84	2029	3,257,515	5.3	31.40	3,257,515	31.40
34.23	2030	2,985,422	6.1	34.23	994,354	34.23
33.30 – 42.45	2031	659,112	7.2	33.47	–	–
38.34	2032	665,596	8.2	38.34	–	–
34.54	2033	1,264,185	9.2	34.54	–	–
		23,532,731	3.9	32.41	18,418,324	31.76

NOTE 21 **SHARE-BASED COMPENSATION** (continued)

TANDEM SHARE APPRECIATION RIGHTS

The Corporation's Stock Option Plans provide for the granting of TSARs in connection with options granted thereunder, at or after the time of grant of such options. A TSAR entitles the optionee to surrender to the Corporation, unexercised, the right to subscribe for a Subordinate Voting Share pursuant to the related option and to receive from the Corporation cash in an amount equal to the excess of the market value of a Subordinate Voting Share over the subscription price under the related option.

A summary of the status of the Corporation's options with TSARs attached, as at December 31, 2023 and 2022, and changes during the respective years ended is as follows:

	2023			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	(2,040,000)	28.24	(14)	(975,000)	27.25	(14)
Change in fair value	–	–	42	–	–	(40)
Outstanding, end of year	10,606,606	31.71	67	12,646,606	31.15	39
TSARs exercisable, end of year	10,156,606	31.60		10,813,886	30.87	

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 $67 million at December 31, 2023 ($39 million at December 31, 2022) and is recorded in other liabilities. The intrinsic value of this liability at December 31, 2023 was $66 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:

	December 31, 2023	December 31, 2022
Dividend yield	5.4%	5.7%
Expected volatility	17.8% – 21.5%	16.0% – 21.6%
Risk-free interest rate	3.5% – 4.7%	3.7% – 4.9%
Expected life (years)	0.4 – 5.3	0.4 – 6.3
Share price ($/share)	37.89	31.85
Weighted-average exercise price ($/option)	31.71	31.15
Weighted-average fair value ($/option)	6.32	3.08

The Corporation entered into total return swap agreements to manage exposure to the volatility of a portion of its cash-settled share-based payments and related liability. For the year ended December 31, 2023, a net loss of $14 million (net gain of $20 million 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 instruments, was included in operating and administrative expenses in the statements of earnings.

COMPENSATION EXPENSE

During the year ended December 31, 2023, Power Corporation granted 1,284,026 options (670,304 options in 2022) under its Executive Stock Option Plan. Generally, the options vest on the basis of [i] the first 50%, three years from the date of the grant and [ii] the remaining 50% four years from the date of the grant.

The fair value of the options granted was estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	2023	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	38.34

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. Total compensation expense relating to the equity-settled stock options granted by the Corporation and its subsidiaries amounted to $100 million in 2023 ($107 million in 2022) and was recorded in operating and administrative expenses in the statements of earnings.

PERFORMANCE SHARE UNIT PLAN

Power Corporation established a Performance Share Unit (PSU) Plan for selected employees and officers (participants) to assist in retaining and further aligning the interests of participants with those of the shareholders. Under the terms of the Plan, PSUs may be awarded annually and are subject to time and performance vesting conditions. The value of each PSU is based on the share price of the Corporation's Subordinate Voting Shares. The PSUs are cash settled and vest over a three-year period. Participants can elect at the time of grant to receive a portion of their PSUs in the form of performance deferred share units (PDSUs) which also vest over a three-year period. PDSUs are redeemable when a participant is no longer an employee of the Corporation or any of its affiliates, or in the event of the death of the participant, by a lump-sum cash payment based on the value of the PDSU at that time. Additional PSUs and PDSUs are issued in respect of dividends payable on the Subordinate Voting Shares based on the value of the PSU or PDSU at the dividend payment date. At December 31, 2023, the carrying value of the PSU liability was $36 million ($31 million at December 31, 2022) and is recorded within other liabilities.

NOTE 21 **SHARE-BASED COMPENSATION** (continued)

DEFERRED SHARE UNIT PLAN

Power Corporation established a Deferred Share Unit (DSU) Plan for its Directors to promote a greater alignment of interests between Directors and shareholders of the Corporation. Under this Plan, Directors participating in the Plan will receive half of their annual retainer in the form of DSUs and may elect to receive the remainder of their annual retainer entirely in the form of DSUs, entirely in cash, or equally in cash and DSUs. The number of DSUs granted is determined by dividing the amount of remuneration payable by the three-day-average closing price on the Toronto Stock Exchange of the Subordinate Voting Shares of the Corporation on the last three days of the fiscal quarter (the value of a DSU). A Director will receive additional DSUs in respect of dividends payable on the Subordinate Voting Shares, based on the value of the DSU at the dividend payment date. A DSU is payable, at the time a Director's membership on the Board is terminated (provided the Director is not then a director, officer or employee of an affiliate of the Corporation), or in the event of the death of a Director, by a lump-sum cash payment, based on the value of the DSU at that time. At December 31, 2023, the value of the DSUs outstanding was $44 million ($33 million at December 31, 2022) and was recorded within other liabilities. Alternatively, directors may participate in a Share Purchase Plan for Directors.

EMPLOYEE SHARE PURCHASE PROGRAM

Power Corporation established an Employee Share Purchase Program, giving employees the opportunity to subscribe for up to 6% of their gross salary to purchase Subordinate Voting Shares of the Corporation on the open market. Power Corporation invests, on the employee's behalf, up to an equal amount.

OTHER SHARE-BASED AWARDS OF SUBSIDIARIES

Power Financial and other subsidiaries of the Corporation have also established other share-based awards and performance share unit plans (plans) for their directors, management and employees. Some of these plans are cash settled and included within other liabilities. Total compensation expense related to these subsidiary plans amounted to $204 million in 2023 ($67 million in 2022) and was recorded in operating and administrative expenses on the statements of earnings.

NOTE 22 NON-CONTROLLING INTERESTS

The carrying value of non-controlling interests consists of the following:

December 31, 2023	Lifeco	IGM	Power Financial	Other	Total
Common shareholders	6,643	2,015	–	567	9,225
Preferred shareholders	2,720	–	2,830	–	5,550
Participating account surplus	2,847	–	–	–	2,847
Limited recourse capital notes	1,500	–	–	–	1,500
	13,710	2,015	2,830	567	19,122

December 31, 2022	Lifeco	IGM	Power Financial	Other	Total
Common shareholders	6,449	1,963	–	507	8,919
Preferred shareholders	2,720	–	2,830	–	5,550
Participating account surplus	2,734	–	–	–	2,734
Limited recourse capital notes	1,500	–	–	–	1,500
	13,403	1,963	2,830	507	18,703

NOTE 22 NON-CONTROLLING INTERESTS (continued)

The changes in non-controlling interests are as follows:

December 31, 2023	Lifeco	IGM	Power Financial	Other	Total
Non-controlling interests, beginning of year (restated)	13,403	1,963	2,830	507	18,703
Impact of initial application of IFRS 9 [Note 3]	(9)	–	–	–	(9)
Restated non-controlling interests, beginning of year	13,394	1,963	2,830	507	18,694
Net earnings (losses) attributable to non-controlling interests	931	242	138	(23)	1,288
Other comprehensive income (loss) attributable to non-controlling interests	139	(37)	–	9	111
Dividends	(699)	(182)	(138)	–	(1,019)
Issuance of equity instruments, net of repurchase of common shares	14	18	–	161	193
Effect of changes in ownership interest and other	(69)	11	–	(87)	(145)
Non-controlling interests, end of year	13,710	2,015	2,830	567	19,122

December 31, 2022	Lifeco	IGM	Power Financial	Other	Total
Non-controlling interests, beginning of year	14,158	1,903	2,830	498	19,389
Impact of initial application of IFRS 17 and IFRS 9 overlay [Note 3]	(1,110)	(45)	–	–	(1,155)
Restated non-controlling interests, beginning of year	13,048	1,858	2,830	498	18,234
Net earnings (losses) attributable to non-controlling interests	1,087	305	135	(98)	1,429
Other comprehensive income (loss) attributable to non-controlling interests	(113)	28	–	6	(79)
Dividends	(667)	(182)	(135)	–	(984)
Issuance of equity instruments, net of repurchase of common shares	43	(71)	–	85	57
Effect of changes in ownership interest and other	5	25	–	16	46
Non-controlling interests, end of year	13,403	1,963	2,830	507	18,703

Financial information of Lifeco and IGM as at and for the year ended December 31, 2023 can be obtained from their publicly available financial statements. Summarized financial information for Lifeco and IGM is as follows:

	2023		2022	
	Lifeco	IGM	Lifeco	IGM
Balance sheet				
Assets	713,230	18,663	672,206	18,738
Liabilities	683,379	11,943	643,411	12,608
Equity	29,851	6,720	28,795	6,130
Comprehensive income				
Net earnings	2,891	1,153	3,638	873
Other comprehensive income (loss)	261	(30)	(27)	(496)
Cash flows				
Operating activities	5,203	837	3,772	738
Financing activities	(3,550)	(204)	(620)	(1,092)
Investing activities	(786)	(1,161)	(2,218)	135

NOTE 23 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.

LIFECO

Lifeco manages its capital on both a consolidated basis as well as 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.

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.

Management of Lifeco is responsible for establishing capital management procedures for implementing and monitoring the capital plan.

Lifeco's subsidiaries Canada Life, Empower and entities based in Europe are subject to minimum regulatory capital requirements.

- In Canada, the 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 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 December 31, 2023 was 128%.
- For entities based in Europe, the local solvency capital regime is the Solvency II basis. At December 31, 2023 and 2022, all Lifeco's European regulated entities met the capital and solvency requirements as prescribed under Solvency II.
- Empower is subject to the risk-based capital regulatory regime in the U.S.
- Other foreign operations and foreign subsidiaries of Lifeco are required to comply with local capital or solvency requirements in their respective jurisdictions. At December 31, 2023 and 2022, Lifeco maintained capital levels above the minimum local regulatory requirements in each of its other foreign operations.

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 December 31, 2023 and 2022, 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 December 31, 2023 and 2022, these subsidiaries have complied with all regulatory capital requirements.

NOTE 24 RISK MANAGEMENT

The Corporation and its subsidiaries have established policies, guidelines and procedures designed to identify, measure, monitor, report and mitigate material risks associated with financial instruments and insurance contracts. 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, differences in the actual exposure relative to broad market indices, variation in exposures by geography, and general limitations of the Corporation and its subsidiaries 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 and insurance contracts. 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.

NOTE 24 **RISK MANAGEMENT** (continued)

POWER CORPORATION, POWER FINANCIAL AND ALTERNATIVE ASSET INVESTMENT PLATFORMS AND OTHER

LIQUIDITY RISK

Power Corporation is a holding company. As such, the holding company's cash flows are principally derived from dividends received from its subsidiaries and income from investments, less operating expenses, financing charges, income taxes and payment of dividends to its participating and non-participating shareholders. 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 regularly review their liquidity requirements and seek to maintain sufficient levels of liquidities to meet their operating expenses, financing charges and payment of preferred share dividends for a reasonable period of time, as defined in their policies. The ability of Power Corporation, Power Financial and other subsidiaries to arrange additional financing in the future will depend in part upon prevailing market conditions as well as the business performance and risk profile of Power Corporation, Power Financial and their subsidiaries.

Liquidity is also available through the Corporation's lines of credit with Canadian banks. The Corporation has a committed line of credit of $500 million. The Corporation also maintains an uncommitted line of credit of $100 million, and any advances are at the bank's sole discretion. At December 31, 2023 and 2022, the Corporation was not utilizing its committed line of credit or uncommitted line of credit. Other subsidiaries also have committed lines of credit of $651 million with Canadian and U.S. banks ($315 million was undrawn at December 31, 2023).

Principal repayments on debentures and other debt instruments, and pension funding (other than those of Lifeco and IGM discussed below) represent the only significant contractual liquidity requirements. Contractual maturities of certain liabilities were as follows:

	Payments due by period			
December 31, 2023	1 year or less	1–5 years	Over 5 years	Total
Deposits and certificates	5,369	–	–	5,369
Power Corporation's debentures and other debt instruments	–	–	650	650
Non-recourse debentures and other debt instruments	751	726	1,850	3,327
Future lease payments	34	121	324	479
Pension contributions	15	–	–	15
	6,169	847	2,824	9,840

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.

Power Corporation, Power Financial and other subsidiaries' management of liquidity risk has not changed materially since December 31, 2022.

CREDIT RISK

Fixed income securities and derivatives are subject to credit risk. Power Corporation and Power Financial manage credit risk on their fixed income securities by adhering to an investment policy that establishes guidelines which provide exposure limits by defining admissible securities, minimum ratings and concentration limits.

Fixed income securities, which are included in investments and in cash and cash equivalents, consist primarily of bonds, bankers' acceptances and highly liquid temporary deposits with Canadian chartered banks and banks in jurisdictions where Power Corporation, Power Financial and other subsidiaries operate, as well as bonds and short-term securities of, or guaranteed by, the Canadian or U.S. governments. Power Corporation and Power Financial regularly review the credit ratings of their counterparties. The maximum exposure to credit risk on these financial instruments is their carrying value.

Derivatives can also be used to mitigate foreign exchange or equity exposures. Power Corporation and Power Financial regularly review the credit ratings of derivative financial instrument counterparties. Derivative contracts are over-the-counter with counterparties that are highly rated financial institutions.

Other subsidiaries are also exposed to credit risk through derivative contracts used to hedge interest rate risk or mitigate foreign exchange exposures. Other subsidiaries regularly review the credit ratings of their counterparties. The exposure to credit risk on these financial instruments is limited to their carrying value.

Power Corporation, Power Financial and other subsidiaries' exposure to and management of credit risk related to cash and cash equivalents, fixed income securities and derivatives have not changed materially since December 31, 2022.

MARKET RISK

Power Corporation and Power Financial and other subsidiaries' financial instruments are comprised of cash and cash equivalents, fixed income securities, other investments (consisting of equity securities, other loans, investment funds and hedge funds), derivatives and debentures and other debt instruments.

Foreign Exchange Risk

In managing their own cash and cash equivalents as well as fixed income securities, Power Corporation, Power Financial and other subsidiaries may hold cash balances denominated in foreign currencies and thus be exposed to fluctuations in exchange rates. In order to protect against such fluctuations, Power Corporation, Power Financial and other subsidiaries may from time to time enter into currency-hedging transactions with highly rated financial institutions. As at December 31, 2023, approximately 62% (75% as at December 31, 2022) of Power Corporation, Power Financial and other subsidiaries' cash and cash equivalents and fixed income securities were denominated in Canadian dollars.

Power Corporation, Power Financial and other subsidiaries held other investments either classified as FVOCI or as FVPL. Unrealized gains and losses on investments classified as FVOCI, resulting from foreign exchange rate variations, are recorded in other comprehensive income and reclassified directly to retained earnings on realization. Unrealized gains and losses on investments classified as FVPL, resulting from foreign exchange rate variations, are recorded directly in net earnings. As at December 31, 2023, the impact of a 5% strengthening of the Canadian dollar against foreign currencies would result in an unrealized loss recorded in other comprehensive income or a loss recorded in net earnings of approximately $20 million and $65 million, respectively. Power Corporation's and Power Financial's debentures are denominated in Canadian dollars.

Power Corporation has net investments in foreign operations. In accordance with IFRS, foreign currency translation gains and losses from net investments in foreign operations are recorded in other comprehensive income. Strengthening or weakening of the Canadian dollar spot rate compared to the U.S. dollar and Chinese renminbi spot rates impacts the Corporation's total equity.

Power Financial is exposed to foreign exchange risk on its investment in GBL held through Parjointco as its functional currency is the euro. Foreign currency translation gains and losses on this investment are recorded in other comprehensive income. As at December 31, 2023, the impact of a 5% increase (decrease) in Canadian currency relative to the foreign currency would decrease (increase) the aggregate carrying value of the foreign investment by approximately $185 million ($163 million in 2022).

Interest Rate Risk

Power Corporation, Power Financial and other subsidiaries' financial instruments do not have significant exposure to interest rate risk.

Equity Risk

Power Corporation, Power Financial and other subsidiaries held other investments either classified as FVOCI or FVPL. All unrealized gains and losses on investments classified as FVOCI are recorded in other comprehensive income and transferred directly to retained earnings on realization. Unrealized gains and losses on investments classified as FVPL are recorded directly in net earnings. As at December 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 $41 million unrealized loss recorded in other comprehensive income related to investments classified as FVOCI and a $230 million loss recorded in net earnings related to investments classified as FVPL, including investments in jointly controlled corporations and associates measured at FVPL.

NOTE 24 **RISK MANAGEMENT** (continued)

GBL holds a portfolio of investments which are classified as FVOCI or FVPL. All unrealized gains and losses on investments classified as FVOCI are recorded in other comprehensive income and transferred directly to retained earnings on realization. Unrealized gains and losses on investments classified as FVPL are recorded directly in net earnings. As at December 31, 2023, the impact of a 10% decrease in equity markets would have resulted in an approximate $265 million unrealized loss to be recorded in other comprehensive income related to investments classified as FVOCI and a $75 million loss recorded in net earnings related to investments classified as FVPL, representing the Corporation's share of Parjointco's unrealized losses.

Power Corporation and Power Financial sponsor a number of deferred compensation arrangements for employees where payments to participants are deferred and linked to the performance of the common shares of Power Corporation. Power Corporation and Power Financial hedge their exposure to the equity risk associated with their PSU Plans through the use of total return swaps.

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 and insurance contracts.

LIQUIDITY RISK

Lifeco's liquidity risk management framework and associated limits are designed to allow Lifeco to meet cash and collateral commitments as they fall due, both on an expected basis and under a severe liquidity stress.

- Lifeco attempts to mitigate liquidity risk through product design and maintaining a high quality, diversified investment portfolio with a spread of asset maturities by year. Approximately 68% of insurance and investment contract liabilities (measured based on carrying value and excluding liabilities held on account of segregated fund holders) are subject to discretionary withdrawal.
- Management of Lifeco closely monitors the solvency and capital positions of its principal subsidiaries opposite liquidity requirements at its holding company. Additional liquidity is available through established lines of credit or via capital market transactions. At December 31, 2023, Lifeco maintained $950 million of liquidity at its level through committed lines of credit with Canadian chartered banks. As well, Lifeco maintains a US$500 million revolving credit agreement, a US$300 million revolving credit agreement with a syndicate of banks for use by Empower, and a US$50 million line of credit at Empower. Empower also has borrowing capacity of approximately US$440 million under the Federal Home Loan Bank program.

Payments Due by Period

In the normal course of business, Lifeco enters into contracts that give rise to commitments of future minimum payments that impact short-term and long-term liquidity. The following table summarizes the principal repayment schedule of certain of Lifeco's financial liabilities.

	Payments due by period						
December 31, 2023	1 year or less	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
Debentures and other debt instruments	192	665	730	532	999	5,833	8,951
Capital trust debentures [1]	–	–	–	–	–	150	150
Purchase obligations	305	227	176	121	54	251	1,134
Pension contributions	225	–	–	–	–	–	225
	722	892	906	653	1,053	6,234	10,460

[1] Payments due have not been reduced to reflect that Lifeco held capital trust securities of $37 million principal amount ($44 million carrying value).

CREDIT RISK

Lifeco has the following policies and procedures in place to manage credit risk:

- Investment and risk policies aim to minimize undue concentration within issuers, connected companies, industries or individual geographies.
- Investment and risk limits specify minimum and maximum limits for each asset class.
- Identification of credit risk through an internal credit risk rating system which includes a detailed assessment of an debtor's creditworthiness. Internal credit risk ratings cannot be higher than the highest rating provided by certain independent ratings companies.

NOTE 24 RISK MANAGEMENT (continued)

- Portfolios are monitored continuously, and reviewed regularly with the risk committee and the investment committee of the board of directors of Lifeco.
- Credit risk associated with derivative instruments is evaluated quarterly based on conditions that existed at the balance sheet date, using practices that are at least as conservative as those recommended by regulators. Lifeco manages derivative credit risk by including derivative exposure to aggregate credit exposures measured against rating-based debtor limits and through collateral arrangements where possible.
- Counterparties providing reinsurance to Lifeco are reviewed for financial soundness as part of an ongoing monitoring process. The minimum financial strength of reinsurers is outlined in Lifeco's Reinsurance Risk Management Policy. Lifeco seeks to minimize reinsurance credit risk by setting rating-based limits on net ceded exposure by counterparty as well as seeking protection in the form of collateral or funds-withheld arrangements where possible.
- Investment guidelines also specify collateral requirements.

Maximum Exposure to Credit Risk

The following table summarizes Lifeco's maximum exposure to credit risk related to financial instruments as well as insurance and reinsurance contracts. The maximum credit exposure is the carrying value of the asset net of any allowances for losses.

	December 31, 2023	December 31, 2022
Financial instruments		
Cash and cash equivalents	7,742	7,290
Bonds	157,051	156,091
Mortgage loans	38,414	37,197
Interest due and accrued	1,645	1,527
Accounts receivable	3,218	2,828
Funds held under investment contracts	7,268	8,130
Trading account assets	3,038	2,972
Finance leases receivable	668	536
Other assets [1]	2,055	2,760
Derivative assets	2,219	2,314
	223,318	221,645
Insurance and reinsurance contracts		
Reinsurance contract held assets [2]	17,332	17,571
Insurance contract assets	1,193	1,140
Funds held by ceding insurers [3]	3,926	4,105
Loans to policyholders [3]	8,945	8,999
	31,396	31,815
Total	254,714	253,460

[1] Includes items such as income taxes receivable and miscellaneous other assets of Lifeco.

[2] Includes funds withheld on reinsurance contracts issued.

[3] Included in insurance contract liabilities (Note 11).

Credit risk is also mitigated by entering into collateral agreements. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines have been implemented regarding the acceptability of types of collateral and the valuation parameters. Collateral primarily consists of government bonds, investment-grade corporate bonds and cash. Management of Lifeco monitors the value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable. Lifeco had $1,715 million of collateral received from counterparties as at December 31, 2023 ($1,348 million as at December 31, 2022) relating to derivative assets.

Concentrations of 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 of such debtors are similar in that changes in economic or political environments may impact their ability to meet obligations as they come due.

NOTE 24 RISK MANAGEMENT (continued)

The following tables provide details of the carrying value of bonds of Lifeco for each business by issuer and industry sector:

December 31, 2023	Canada	United States	Europe	Capital and Risk Solutions	Total
Bonds issued or guaranteed by:					
Treasuries	1,155	2,289	8,522	2,887	14,853
Government-related	16,618	2,842	6,760	406	26,626
Agency securitized	178	1,057	–	14	1,249
Non-agency securitized	2,924	13,314	803	137	17,178
Financials	5,225	12,095	4,861	997	23,178
Communications	1,089	1,680	748	152	3,669
Consumer products	4,704	9,795	1,774	1,023	17,296
Energy	2,619	3,118	447	336	6,520
Industrials	2,560	7,623	1,156	442	11,781
Technology	1,044	3,307	479	297	5,127
Transportation	3,996	1,899	755	156	6,806
Utilities	10,632	7,599	3,786	751	22,768
	52,744	66,618	30,091	7,598	157,051

December 31, 2022 [1]	Canada	United States	Europe	Capital and Risk Solutions	Total
Bonds issued or guaranteed by:					
Treasuries	2,699	347	7,905	3,619	14,570
Government-related	16,948	3,178	6,301	376	26,803
Agency securitized	179	1,270	–	15	1,464
Non-agency securitized	2,341	15,020	734	123	18,218
Financials	4,703	13,123	4,709	914	23,449
Communications	997	1,839	667	137	3,640
Consumer products	4,231	10,727	1,733	966	17,657
Energy	2,236	3,600	405	285	6,526
Industrials	2,084	8,464	1,105	398	12,051
Technology	831	3,359	393	298	4,881
Transportation	3,364	1,941	637	121	6,063
Utilities	9,129	8,038	3,125	477	20,769
	49,742	70,906	27,714	7,729	156,091

[1] Represents application of IFRS 9 overlay.

The following tables provide details of the carrying value of mortgage loans of Lifeco by business:

December 31, 2023	Canada	United States	Europe	Capital and Risk Solutions	Total
Single-family residential	1,511	–	–	–	1,511
Multi-family residential	4,581	3,945	814	32	9,372
Equity-release	1,697	–	2,043	463	4,203
Commercial	8,955	10,376	3,850	147	23,328
	16,744	14,321	6,707	642	38,414

December 31, 2022 [1]	Canada	United States	Europe	Capital and Risk Solutions	Total
Single-family residential	1,738	–	–	–	1,738
Multi-family residential	4,422	4,276	891	39	9,628
Equity-release	1,392	–	1,711	268	3,371
Commercial	8,446	10,484	3,480	50	22,460
	15,998	14,760	6,082	357	37,197

[1] Represents application of IFRS 9 overlay.

NOTE 24 **RISK MANAGEMENT** (continued)

Expected Credit Losses

The following tables reconcile the allowance for credit losses under the ECL model in IFRS 9 by asset classification and stage, at Lifeco.

	Performing		Impaired	
December 31, 2023	Stage 1	Stage 2	Stage 3	Total
Bonds at FVOCI				
Balance, beginning of year	3	–	–	3
Provision for credit losses				
Transfers to stage 1	–	–	–	–
Transfers to stage 2	–	–	–	–
Transfers to stage 3	–	–	–	–
Originations	1	–	–	1
Maturities	(1)	–	–	(1)
Net remeasurement of loss allowance	1	–	–	1
Write-offs	–	–	–	–
Exchange rate and other	(1)	–	–	(1)
Balance, end of year	3	–	–	3
Mortgages at amortized cost				
Balance, beginning of year	1	32	–	33
Provision for credit losses				
Transfers to stage 1	1	(1)	–	–
Transfers to stage 2	–	–	–	–
Transfers to stage 3	–	–	–	–
Originations	1	–	–	1
Maturities	–	–	–	–
Net remeasurement of loss allowance	(2)	(3)	4	(1)
Write-offs	–	–	–	–
Exchange rate and other	–	1	–	1
Balance, end of year	1	29	4	34
Total allowance for credit losses, end of year	4	29	4	37

NOTE 24 **RISK MANAGEMENT** (continued)

Credit Risk Exposure by Internal Risk Rating

The following tables present the fair value of bonds and mortgages at FVOCI and carrying amounts of mortgages at amortized cost held by Lifeco. Risk ratings are based on internal ratings used in the measurement of ECL as at the reporting date.

	Performing		Impaired	
December 31, 2023	Stage 1	Stage 2	Stage 3	Total
Bonds at FVOCI				
Investment grade	11,668	–	–	11,668
Non-investment grade	77	5	–	82
Impaired	–	–	–	–
	11,745	5	–	11,750
Mortgages at FVOCI				
Investment grade	560	–	–	560
Non-investment grade	–	18	–	18
Impaired	–	–	–	–
	560	18	–	578
Mortgages at amortized cost				
Investment grade	4,088	–	–	4,088
Non-investment grade	–	357	–	357
Impaired	–	–	11	11
	4,088	357	11	4,456
Allowance for credit losses	(1)	(29)	(4)	(34)
	4,087	328	7	4,422

	Performing		Impaired	
January 1, 2023	Stage 1	Stage 2	Stage 3	Total
Bonds at FVOCI				
Investment grade	12,610	–	–	12,610
Non-investment grade	88	3	–	91
Impaired	–	–	–	–
	12,698	3	–	12,701
Mortgages at FVOCI				
Investment grade	621	–	–	621
Non-investment grade	–	–	–	–
Impaired	–	–	–	–
	621	–	–	621
Mortgages at amortized cost				
Investment grade	3,819	–	–	3,819
Non-investment grade	–	373	–	373
Impaired	–	–	–	–
	3,819	373	–	4,192
Allowance for credit losses	(1)	(32)	–	(33)
	3,818	341	–	4,159

NOTE 24 **RISK MANAGEMENT** (continued)

Credit Impact on Financial Assets Designated as FVPL

The carrying value of Lifeco's portfolio investments designated as FVPL represents the maximum exposure to credit risk for those assets. The change in fair value attributable to the change in credit risk of these assets is generally insignificant in the absence of significant credit events occurring on specific assets. In 2023, a fair value loss of $80 million ($8 million in 2022) was reflected in changes in FVPL in the statement of earnings related to significant credit events occurring on assets designed as FVPL.

Asset Quality

Bond Portfolio Quality	December 31, 2023	December 31, 2022 [1]
Based on internal ratings:		
AAA	24,298	25,397
AA	31,435	31,614
A	54,807	53,864
BBB	44,811	43,482
BB and lower	1,700	1,734
	157,051	156,091

[1] Represents application of IFRS 9 overlay.

Derivative Portfolio Quality	December 31, 2023	December 31, 2022
Over-the-counter contracts (counterparty ratings):		
AA	1,448	1,604
A	770	697
Exchange-traded	1	13
	2,219	2,314

Reinsurance Contract Held Assets Quality	December 31, 2023	December 31, 2022
Based on rating agency ratings:		
AA- to AA+	15,955	16,162
A- to A+	1,365	1,386
BBB+ and lower	9	10
Not rated	3	13
	17,332	17,571
Total reinsurance contract held assets less collateral	4,296	4,261

Total reinsurance contract held assets are net of funds held under reinsurance contracts.

As at December 31, 2023, $12,122 million of the $17,332 million of reinsurance contract held assets are ceded to Protective Life Insurance Company ($12,493 million of $17,571 million at December 31, 2022). This concentration risk is mitigated by funds held in trust and other arrangements of $13,710 million as at December 31, 2023 ($13,685 million at December 31, 2022).

NOTE 24 **RISK MANAGEMENT** (continued)

Funds Held Under Investment Contracts and Funds Held by Ceding Insurers

At December 31, 2023, Lifeco had amounts on deposit of $7,268 million ($8,130 million at December 31, 2022) for funds held under investment contracts. This amount has been included in other assets on the balance sheets. At December 31, 2023, Lifeco had amounts on deposit of $3,926 million ($4,105 million at December 31, 2022) for funds held by ceding insurers. This amount has been included in the measurement of insurance contract liabilities. Included in these amounts are assets of $37 million at December 31, 2023 ($45 million at December 31, 2022) where Lifeco does not retain the credit risk. Income and expenses arising from the agreements are included in net investment result in the statements of earnings.

The details of the funds on deposit for certain agreements where Lifeco has credit risk are as follows:

CARRYING VALUES AND ESTIMATED FAIR VALUES

	December 31, 2023		December 31, 2022	
	Carrying value	Fair value	Carrying value	Fair value
Cash and cash equivalents	189	189	222	222
Bonds	10,415	10,415	11,172	11,172
Mortgages	418	418	457	457
Other assets	135	135	339	339
	11,157	11,157	12,190	12,190
Supporting:				
Insurance contract liabilities	3,834	3,834	4,004	4,004
Investment contract liabilities	7,268	7,268	8,130	8,130
Surplus	55	55	56	56
	11,157	11,157	12,190	12,190

Bonds

The following provides details of the carrying value of bonds included in the funds on deposit by issuer and industry sector:

	December 31, 2023	December 31, 2022
Bonds issued or guaranteed by:		
Treasuries	487	464
Government-related	1,139	1,241
Agency securitized	103	139
Non-agency securitized	1,135	1,350
Financials	1,731	2,020
Communications	332	327
Consumer products	1,609	1,728
Energy	534	517
Industrials	1,011	1,029
Technology	385	386
Transportation	301	319
Utilities	1,648	1,652
	10,415	11,172

NOTE 24 RISK MANAGEMENT (continued)

ASSET QUALITY

Bond Portfolio Quality	December 31, 2023	December 31, 2022
AAA	951	1,037
AA	2,536	2,607
A	3,973	4,289
BBB	2,856	3,124
BB and lower	99	115
	10,415	11,172

Mortgages

The following provides details of the carrying value of mortgages included in the funds on deposit by property type:

	December 31, 2023	December 31, 2022
Multi-family residential	107	110
Commercial	311	347
	418	457

MARKET RISK

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.

Interest Rate Risk

The following policies and procedures are in place to mitigate Lifeco's exposure to interest rate risk:

- Lifeco manages its interest rate risk 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 each of its segments. Assets in each segment are generally 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 these are invested in equities and 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 assets and liabilities 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 equities and non-fixed income assets.
- The risks associated with the mismatch in portfolio duration and cash flow, asset prepayment exposure and the pace of asset acquisition are quantified and reviewed regularly.

NOTE 24 **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. 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 impact to net earnings and equity from an immediate parallel 50 basis point increase or decrease in interest rates is illustrated in the table below, rounded to the nearest $25 million:

Change in market yield curves

	December 31, 2023		December 31, 2022	
	Increase 50 basis points interest rates	Decrease 50 basis points interest rates	Increase 50 basis points interest rates	Decrease 50 basis points interest rates
Net earnings	175	(225)	75	(125)
Equity	150	(225)	50	(100)

Actual impacts of interest rate changes will vary depending upon the geography where the changes occur. Net earnings are positively impacted by a parallel increase in interest rates in Canada, the U.S. and the U.K. and are positively impacted by a parallel decrease in interest rates in the eurozone. Actual impacts of interest rate changes also vary by the level of change in interest rates by term. Therefore, actual impacts from interest rate changes may differ from the estimated impact of parallel movements in all geographies, which is presented above.

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 both December 31, 2023 and December 31, 2022, the sensitivity of net earnings 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.

The impact to net earnings and equity from an immediate 50 basis point increase or decrease in credit spreads is illustrated in the table below, with no change to the ultimate illiquidity premium. Actual impacts of credit spread changes will vary depending on the geographies where the changes occur, and the changes in credit spreads by term. A change in credit spreads may also lead to a change in the allowance for credit risk within the IFRS 17 discount rate, depending on prevailing market and credit conditions at the time; any potential earnings impacts that may arise from such a change are not reflected in the sensitivities below.

Change in credit spreads

	December 31, 2023[1]	
	Increase 50 basis points credit spreads	Decrease 50 basis points credit spreads
Net earnings	300	(375)
Equity	350	(450)

[1] Exposures to credit spread sensitivities as at December 31, 2022 were expected to be substantially similar to the levels as shown for December 31, 2023.

Equity Risk

Lifeco has investment policy guidelines in place that provide for prudent investment in equity markets with clearly defined limits to mitigate price 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 value 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 net earnings and equity, rounded to the nearest $25 million:

Change in publicly traded common share values

	December 31, 2023 [1]				December 31, 2022			
	Increase		Decrease		Increase		Decrease	
	20%	10%	10%	20%	20%	10%	10%	20%
Net earnings	225	100	(100)	(225)	200	100	(125)	(225)
Equity	525	250	(250)	(525)	475	225	(250)	(500)

[1] Subsequent to year end, on January 1, 2024, Lifeco completed the sale of Putnam Investments and received shares in Franklin Templeton as part of the consideration (Note 4). The net impact to net earnings and equity of this transaction to the values in the table above would be to increase sensitivities by $75 million for a 10% increase or decrease in the value of publicly traded shares and increase sensitivities by $150 million for a 20% increase or decrease in the value of publicly traded shares.

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 net earnings and equity, rounded to the nearest $25 million:

Change in other non-fixed income asset values

	December 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)
Equity	450	225	(225)	(450)	425	225	(225)	(450)

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.

LIQUIDITY RISK

IGM's liquidity profile is structured to ensure it has sufficient liquidity to satisfy current and prospective requirements in both normal and stressed conditions. 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 risks 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. 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 Canada Mortgage Bond Program (CMB Program).

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

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

NOTE 24 **RISK MANAGEMENT** (continued)

IGM's contractual maturities of certain liabilities were as follows:

	Payments due by period				
December 31, 2023	Demand	1 year or less	1–5 years	Over 5 years	Total
Derivative financial instruments	–	12	38	–	50
Deposits and certificates [1]	3,343	–	–	1	3,344
Obligations to securitization entities	–	937	3,738	13	4,688
Future lease payments	–	29	84	97	210
Debentures	–	–	525	1,875	2,400
Total contractual maturities	3,343	978	4,385	1,986	10,692

[1] Deposits and certificates due on demand are primarily offset by IGM's client funds held on deposit.

In addition to IGM's current balance of cash and cash equivalents, liquidity is available through IGM's lines of credit. IGM's lines of credit with various Schedule I Canadian chartered banks totalled $800 million as at December 31, 2023, compared to $825 million at December 31, 2022. The lines of credit as at December 31, 2023 consisted of committed lines of $650 million and uncommitted lines of $150 million, compared to $650 million and $175 million at December 31, 2022. Any advances made by the banks under the uncommitted lines are at the banks' sole discretion. As at December 31, 2023 and 2022, IGM was not utilizing its committed lines of credit or its uncommitted lines of credit.

IGM's liquidity position and its management of liquidity risk have not changed materially since December 31, 2022.

CREDIT RISK

IGM's cash and cash equivalents, client funds on deposit, mortgage portfolios and derivatives are subject to credit risk. IGM monitors its credit risk management practices on an ongoing basis to evaluate their effectiveness.

At December 31, 2023, IGM's cash and cash equivalents of $545 million ($1,073 million in 2022) consisted of cash balances of $217 million ($346 million in 2022) on deposit with Canadian chartered banks and cash equivalents of $328 million ($727 million in 2022). 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.

Client funds on deposit of $3,366 million ($4,347 million in 2022) are held with Schedule I chartered banks.

As at December 31, 2023, residential mortgages, recorded on IGM's balance sheets, of $5.1 billion ($5.0 billion in 2022) consisted of $4.7 billion sold to securitization programs ($4.6 billion in 2022), $376 million held pending sale or securitization ($372 million in 2022) and $12 million related to IGM's intermediary operations ($13 million in 2022).

IGM 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 IGM; and
- Its practice of originating its mortgages exclusively through its own network of Mortgage Advisors 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 $2.4 billion ($2.5 billion in 2022), IGM 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 $2.3 billion ($2.1 billion in 2022) is limited to amounts held in cash reserve accounts and future net interest income, the fair values of which were $58 million ($55 million in 2022) and $37 million ($21 million in 2022), respectively, at December 31, 2023. Cash reserve accounts are reflected on the balance sheets, whereas rights to future net interest income are not reflected on the balance sheets and will be recorded over the life of the mortgages.

NOTE 24 RISK MANAGEMENT (continued)

At December 31, 2023, residential mortgages recorded on the balance sheets were 50.7% insured (53.3% in 2022). At December 31, 2023, impaired mortgages on these portfolios were $3 million ($2 million in 2022). Uninsured non-performing mortgages over 90 days on these portfolios were $3 million at December 31, 2023 ($2 million in 2022).

IGM 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 balance sheets as IGM has transferred substantially all of the risks and rewards of ownership associated with these loans.

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

IGM's allowance for expected credit losses was $1 million at December 31, 2023 ($1 million in 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.

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

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

IGM's derivative activities are managed in accordance with its derivative policy, which includes counterparty limits and other parameters to manage counterparty risk. Counterparties are all Canadian Schedule I chartered banks and, as a result, management of IGM has determined that its overall credit risk related to derivatives was not significant at December 31, 2023. Management of credit risk related to derivatives has not changed materially since December 31, 2022.

MARKET RISK

Foreign Exchange Risk

IGM is exposed to foreign exchange risk on its investment in ChinaAMC and Rockefeller. Changes to the carrying value due to changes in foreign exchange rates are recognized in other comprehensive income. As of December 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 $128 million ($142 million in 2022).

Interest Rate Risk

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

NOTE 24 **RISK MANAGEMENT** (continued)

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

- IGM has in certain instances funded floating rate mortgages with fixed rate Canada Mortgage Bonds (CMB) as part of the securitization transactions under the CMB Program. As part of the CMB Program, IGM is party to a swap whereby it is entitled to receive investment returns on reinvested mortgage principal and is obligated to pay CMB coupons. This swap had a fair value of $8 million ($21 million in 2022) and an outstanding notional value of $0.2 billion at December 31, 2023 ($0.2 billion in 2022). IGM 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 $13 million (negative $20 million in 2022), on an outstanding notional amount of $1.4 billion at December 31, 2023 ($1.3 billion in 2022). The net fair value of these swaps recorded on the balance sheets was negative $5 million at December 31, 2023 (positive $1 million in 2022) and had an outstanding notional amount of $1.6 billion at December 31, 2023 ($1.5 billion in 2022).
- IGM 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. IGM enters into interest rate swaps to hedge the interest rate risk related to funding costs for mortgages held by IGM pending sale or securitization. The fair value of these swaps was negative $1 million (positive $5 million in 2022) on an outstanding notional amount of $182 million at December 31, 2023 ($192 million in 2022).

As at December 31, 2023, the impact to net earnings of a 100-basis-point increase in interest rates would have been an increase of approximately $1 million (decrease of $2 million in 2022). IGM's exposure to and management of interest rate risk have not changed materially since December 31, 2022.

Equity Risk

IGM is exposed to equity risk on its equity investments which are classified as FVPL and on its investments in associates, which are accounted for using the equity method.

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

Risks Related to Assets Under Management and Advisement

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

NOTE 25 INSURANCE REVENUE

	Years ended December 31,	
	2023	2022
Contracts not measured under the PAA		
Amounts relating to changes in liabilities for remaining coverage		
Experience adjustments	(87)	(127)
CSM recognized for services provided	1,224	1,169
Change in risk adjustment for non-financial risk for risk expired	609	638
Expected incurred claims and other insurance service expenses	9,161	8,802
Recovery of insurance acquisition cash flows	556	446
	11,463	10,928
Contracts measured under the PAA	8,939	8,704
Total insurance revenue	20,402	19,632

NOTE 26 INSURANCE SERVICE AND OPERATING AND ADMINISTRATIVE EXPENSES

	Years ended December 31, 2023	2022
Claims and benefits incurred	13,982	12,924
Allocation of premium directly to recovery of insurance acquisition cash flows	702	637
Adjustments to the liability for incurred claims	(625)	12
Losses and reversal of losses on onerous insurance contracts	62	61
Salaries and other employee benefits	5,796	5,207
General and administrative	3,170	2,147
Amortization, depreciation and impairment	854	829
Commissions	2,714	2,953
Restructuring and other	336	185
Total expenses	26,991	24,955
Represented by:		
Insurance service expenses	15,777	15,272
Operating and administrative expenses	11,214	9,683
Total expenses	26,991	24,955

RESTRUCTURING CHARGES

Lifeco

EUROPE BUSINESS INITIATIVES

In 2023, Lifeco recorded a restructuring provision of $126 million related to provisions for staff reductions as well as other business transformation initiatives.

The provision for staff reductions and other business transformation initiatives arose from the following business decisions and activities:

- Lifeco announced its decision to close Lifeco's U.K. on-shore wealth business to new customers;
- The implementation of the new strategy in Germany to create growth through product diversification and an efficiency program leveraging its new policy administration platform, increased automation and AI technologies; and
- The continued implementation of Irish Life's strategy, including the build-out of digital customer technologies and automation.

IGM Financial

In 2023, IGM recognized restructuring and other charges of $103 million resulting from streamlining and simplifying IGM's business to more effectively align with its business priorities. The charge includes IGM's changes to its organizational structure to advance the growing needs of its business, digital transformation by retiring duplicate systems and modernizing information technology and an effort to consolidate its real estate footprint to better reflect client and advisor needs.

At December 31, 2023, the balance of restructuring provisions, including those above, amounts to $175 million ($62 million in 2022) and is recorded in other liabilities.

NOTE 27 FINANCING CHARGES

	Years ended December 31, 2023	2022
Interest on debentures and other debt instruments	644	545
Interest on lease liabilities	28	35
Interest on limited recourse capital notes	54	54
Interest on capital trust debentures	11	11
Other	29	27
	766	672

NOTE 28 PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS

CHARACTERISTICS, FUNDING AND RISKS

The Corporation and its subsidiaries maintain funded defined benefit pension plans for eligible employees and advisors as well as unfunded supplementary employee retirement plans (SERP) for eligible employees. The Corporation and its subsidiaries also maintain defined contribution pension plans for eligible employees and advisors.

The defined benefit pension plans provide pensions based on length of service and final average earnings; however, the plans of the Corporation and its subsidiaries are closed to new entrants. Many of the defined benefit pension plans also no longer provide future defined benefit accruals. The Corporation and its subsidiaries' defined benefit plan exposure is expected to reduce in future years. Where defined benefit pension accruals continue, in most circumstances active plan participants share in the cost by making contributions in respect of current service. Certain pension payments are indexed either on an ad hoc basis or a guaranteed basis. The determination of the defined benefit obligation reflects pension benefits in accordance with the terms of the plans, and assuming the plans are not terminated. Assets supporting the funded pension plans are held in separate trusteed pension funds. Obligations for the wholly unfunded plans are supported by assets of the Corporation or its subsidiaries, as applicable.

New hires are only eligible for defined contribution benefits. The defined contribution pension plans provide pension benefits based on accumulated employee and employer contributions. Contributions to these plans are a set percentage of employees' annual income and may be subject to certain vesting requirements.

The Corporation and its subsidiaries also provide unfunded post-employment health, dental and life insurance benefits to eligible employees, advisors and their dependents. The Corporation and its subsidiaries' plans were previously amended to limit which employees could become eligible to receive benefits and Lifeco's subsidiaries' plans are closed to new hires. The obligations for these benefits are supported by assets of the Corporation or its subsidiaries, as applicable.

The Corporation and its subsidiaries have pension and benefit committees or a trusteed arrangement that provides oversight for the benefit plans. The benefit plans are monitored on an ongoing basis to assess the benefit, funding and investment policies, financial status, and funding requirements. Significant changes to benefit plans of the Corporation or of its subsidiaries require approval from the respective board of directors or committee thereof.

The Corporation and its subsidiaries' funding policy for the funded pension plans requires annual contributions equal to or greater than those required by the applicable regulations and plan provisions that govern the funding of the plans. Where funded plans have a net defined benefit asset, the Corporation and its subsidiaries determine if an economic benefit exists in the form of potential reductions in future contributions, the present value of future expenses to be paid from the plan and in the form of surplus refunds, where permitted by applicable regulation and plan provisions.

By their design, the defined benefit plans expose the Corporation and its subsidiaries to the typical risks faced by defined benefit plans, such as investment performance, changes to the discount rates used to value the obligations, longevity of plan members, and future inflation. Pension and benefit risk is managed by regular monitoring of the plans, applicable regulations and other factors that could impact the expenses and cash flows of the Corporation and its subsidiaries.

NOTE 28 **PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS** (continued)

PLAN ASSETS, BENEFIT OBLIGATION AND FUNDED STATUS

	December 31, 2023		December 31, 2022	
	Defined benefit pension plans	Other post-employment benefits	Defined benefit pension plans	Other post-employment benefits
Change in fair value of plan assets				
Fair value of plan assets, beginning of year	7,332	–	8,935	–
Interest income	359	–	230	–
Employee contributions	24	–	23	–
Employer contributions	58	20	142	22
Actual return on assets greater (less) than interest income	216	–	(1,559)	–
Benefits paid	(379)	(20)	(409)	(22)
Settlements	(27)	–	(10)	–
Administrative expenses	(10)	–	(8)	–
Foreign exchange and other	17	–	(12)	–
Fair value of plan assets, end of year	7,590	–	7,332	–
Change in defined benefit obligation				
Defined benefit obligation, beginning of year	7,086	294	9,635	418
Current service cost	56	2	102	3
Employee contributions	24	–	23	–
Interest cost	345	16	248	13
Actuarial (gains) losses on:				
Financial assumption changes	511	18	(2,496)	(71)
Demographic assumption changes	(30)	(2)	5	(33)
Arising from member experience	33	(2)	10	(16)
Benefits paid	(379)	(20)	(409)	(22)
Past service cost and plan amendments	–	(7)	(2)	–
Settlements	(30)	–	(10)	–
Curtailments	–	–	(2)	–
Foreign exchange and other	15	(1)	(18)	2
Defined benefit obligation, end of year	7,631	298	7,086	294
Funded status				
Fund surplus (deficit)	(41)	(298)	246	(294)
Unrecognized amount due to asset ceiling (see below)	(213)	–	(328)	–
Accrued benefit liability	(254)	(298)	(82)	(294)

NOTE 28 PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS (continued)

The aggregate defined benefit obligation of pension plans is as follows:

	December 31, 2023	December 31, 2022
Wholly or partly funded plans	7,039	6,521
Wholly unfunded plans	592	565

The net accrued benefit asset (liability) shown above is presented in these financial statements as follows:

	December 31, 2023			December 31, 2022		
	Defined benefit pension plans	Other post-employment benefits	Total	Defined benefit pension plans	Other post-employment benefits	Total
Pension benefit assets [Note 9]	427	–	427	552	–	552
Pension and other post-employment benefit liabilities [Note 18]	(681)	(298)	(979)	(634)	(294)	(928)
Accrued benefit liability	(254)	(298)	(552)	(82)	(294)	(376)

Under International Financial Reporting Interpretations Committee (IFRIC) 14, *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, the Corporation and its subsidiaries must assess whether each pension plan's asset has economic benefit to the Corporation and its subsidiaries through future contribution reductions, the present value of future expenses to be paid from the plan, or surplus refunds; in the event the Corporation or its subsidiaries are not entitled to a benefit, a limit or "asset ceiling" is required on the balance sheet. The following provides a breakdown of the changes in the asset ceiling:

	December 31, 2023	December 31, 2022
Asset ceiling, beginning of year	328	41
Interest on asset ceiling	14	1
Change in asset ceiling	(130)	269
Foreign exchange rate changes	1	17
Asset ceiling, end of year	213	328

NOTE 28 **PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS** (continued)

PENSION AND OTHER POST-EMPLOYMENT BENEFIT EXPENSE

	December 31, 2023		December 31, 2022	
	Pension plans	Other post-employment benefits	Pension plans	Other post-employment benefits
Defined benefit current service cost	56	2	102	3
Net interest cost	–	16	19	13
Past service cost, plan amendments, curtailments and settlements	(3)	(7)	(4)	–
Administrative expenses	10	–	8	–
Defined contribution current service cost	248	–	184	–
Expense recognized in net earnings	311	11	309	16
Actuarial (gains) losses recognized	514	14	(2,481)	(120)
Return on assets (greater) less than discount rate	(216)	–	1,559	–
Change in asset ceiling	(130)	–	269	–
Expense (income) recognized in other comprehensive income (loss)	168	14	(653)	(120)
Total expense (income)	479	25	(344)	(104)

In 2023, the Corporation and its subsidiaries incurred $5 million of actuarial losses ($5 million of actuarial gains in 2022) for pension plan remeasurements not included in the table shown above. This relates to the share of actuarial gains (losses) for investments in jointly controlled corporations and associates.

ASSET ALLOCATION BY MAJOR CATEGORY WEIGHTED BY PLAN ASSETS

	Defined benefit pension plans	
Percentage (%)	December 31, 2023	December 31, 2022
Equity securities	36	39
Debt securities	53	50
All other assets [1]	11	11
	100	100

[1] Includes $111 million of buy-in annuities purchased in 2023 by a subsidiary of the Corporation to cover a portion of its future annuity payments.

No plan assets are directly invested in the Corporation's or subsidiaries' securities. Lifeco's plan assets include investments in segregated and other funds managed by subsidiaries of Lifeco of $5,841 million at December 31, 2023 ($5,614 million at December 31, 2022) of which $5,827 million ($5,520 million at December 31, 2022) are included in the balance sheets. Plan assets do not include any property occupied or other assets used by Lifeco. A portion of IGM's plan assets are invested in investment funds managed by IGM or related parties. A portion of Power Corporation and Power Financial's plan assets are invested in segregated funds managed by a subsidiary of Lifeco.

NOTE 28 **PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS** (continued)

DETAILS OF DEFINED BENEFIT OBLIGATION

Portion of Defined Benefit Obligation Subject to Future Salary Increases

	December 31, 2023		December 31, 2022	
	Defined benefit pension plans	Other post-employment benefits	Defined benefit pension plans	Other post-employment benefits
Benefit obligation without future salary increases	7,097	298	6,345	294
Effect of assumed future salary increases	534	–	741	–
Defined benefit obligation	7,631	298	7,086	294

Maturity Profile of Plan Membership

	December 31, 2023		December 31, 2022	
Percentage (%)	Defined benefit pension plans	Other post-employment benefits	Defined benefit pension plans	Other post-employment benefits
Actives	36	18	37	19
Deferred vesteds	14	–	14	–
Retirees	50	82	49	81
Total	100	100	100	100
Weighted average duration of defined benefit obligation (in years)	14.2	9.7	14.1	10.0

CASH FLOW INFORMATION

The expected employer contributions (use of surplus) for the year 2024 are as follows:

	Pension plans	Other post-employment benefits
Funded (wholly or partly) defined benefit plans	(19)	–
Unfunded defined benefit plans	40	19
Defined contribution plans	217	–
Total	238	19

ACTUARIAL ASSUMPTIONS AND SENSITIVITIES

Actuarial Assumptions

	December 31, 2023		December 31, 2022	
Percentage (%)	Defined benefit pension plans	Other post-employment benefits	Defined benefit pension plans	Other post-employment benefits
Range of discount rates				
To determine benefit cost	5.0 – 5.3	5.3 – 5.4	2.6 – 3.3	3.0 – 3.3
To determine defined benefit obligation at year-end	4.4 – 4.6	4.6 – 5.0	5.0 – 5.3	5.3 – 5.4
Weighted average assumptions used to determine benefit cost [1]				
Discount rate	5.1	5.3	2.9	3.1
Rate of compensation increase	3.8	–	3.2	–
Weighted average assumptions used to determine defined benefit obligation at year-end [1]				
Discount rate	4.5	4.7	5.1	5.3
Rate of compensation increase	3.4	–	3.8	–
Weighted average healthcare trend rates [1]				
Initial healthcare trend rate		4.8		4.9
Ultimate healthcare trend rate		4.1		4.1
Year ultimate trend rate is reached		2039		2039

[1] Weighted based on the obligations of each plan.

NOTE 28 **PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS** (CONTINUED)

Sample Life Expectancies Based on Mortality Assumptions

	December 31, 2023		December 31, 2022	
	Defined benefit pension plans	Other post-employment benefits	Defined benefit pension plans	Other post-employment benefits
Weighted average life expectancies based on mortality assumptions [1]:				
Male				
Age 65 in fiscal year	22.8	22.7	22.8	22.8
Age 65 for those age 35 in the fiscal year	24.7	24.2	24.6	24.2
Female				
Age 65 in fiscal year	25.1	25.1	24.9	25.1
Age 65 for those age 35 in the fiscal year	26.8	26.4	26.7	26.5

[1] Weighted based on the obligations of each plan.

Mortality assumptions are significant in measuring the defined benefit obligation for defined benefit plans. The period of time over which benefits are assumed to be paid is based on best estimates of future mortality, including allowances for mortality improvements. This estimate is subject to considerable uncertainty, and judgment is required in establishing this assumption. The mortality assumptions applied by the Corporation and its subsidiaries take into consideration average life expectancy, including allowances for future longevity improvements as appropriate, and reflect variations in such factors as age, gender and geographic location.

The mortality tables are reviewed at least annually, and assumptions are in accordance with accepted actuarial practice. Emerging plan experience is reviewed and considered in establishing the best estimate for future mortality.

The calculation of the defined benefit obligation is sensitive to the mortality assumptions. The effect of a one-year increase in life expectancy would be an increase in the defined benefit obligation of $210 million for the defined benefit pension plans and $7 million for the other post-employment benefits.

Impact of Changes to Assumptions on Defined Benefit Obligation

	December 31, 2023		December 31, 2022	
	1% increase	1% decrease	1% increase	1% decrease
Defined benefit pension plans:				
Impact of a change to the discount rate	(939)	1,163	(886)	1,103
Impact of a change to the rate of compensation increase	198	(180)	196	(177)
Impact of a change to the rate of inflation	412	(371)	390	(352)
Other post-employment benefits:				
Impact of a change to the discount rate	(26)	30	(26)	29
Impact of a change to assumed medical cost trend rates	18	(16)	16	(14)

To measure the impact of a change in an assumption, all other assumptions were held constant. It would be expected that there would be interaction between at least some of the assumptions and therefore the sensitivity analysis presented may not be representative of the actual change.

NOTE 29 DERIVATIVE FINANCIAL INSTRUMENTS

In the normal course of managing exposure to fluctuations in interest and foreign exchange rates, and to market risks, the Corporation and its subsidiaries are end-users of various derivative financial instruments. Contracts are either exchange traded or over-the-counter with counterparties that are credit-worthy financial intermediaries.

The following tables summarize the portfolio of derivative financial instruments of the Corporation and its subsidiaries:

	Notional amount				Carrying value	
December 31, 2023	1 year or less	1–5 years	Over 5 years	Total	Assets	Liabilities
Derivatives not designated as accounting hedges						
Interest rate contracts						
Swaps	803	3,249	4,694	8,746	215	(380)
Options purchased	200	798	997	1,995	15	–
Futures – short	153	–	–	153	–	–
	1,156	4,047	5,691	10,894	230	(380)
Foreign exchange contracts						
Cross-currency swaps	2,531	9,552	18,704	30,787	1,651	(856)
Forward contracts	3,964	–	–	3,964	46	(14)
Options written	138	–	–	138	–	–
	6,633	9,552	18,704	34,889	1,697	(870)
Other derivative contracts						
Equity contracts	626	1,458	33	2,117	134	(1)
Futures – long	14	–	–	14	–	–
Futures – short	627	–	–	627	1	(4)
Credit default swaps	326	166	173	665	–	–
	1,593	1,624	206	3,423	135	(5)
	9,382	15,223	24,601	49,206	2,062	(1,255)
Fair value hedges						
Foreign currency risk						
Foreign exchange contracts						
Forward contracts	80	–	–	80	1	–
Cash flow hedges						
Interest rate risk						
Interest rate contracts						
Swaps	–	96	846	942	25	(13)
Foreign currency risk						
Foreign exchange contracts						
Cross-currency swaps	18	75	–	93	2	–
Forward contracts	10	–	–	10	–	–
Equity risk						
Other derivative contracts						
Equity contracts	121	320	–	441	114	(8)
	149	491	846	1,486	141	(21)
Net investment hedges						
Foreign currency risk						
Foreign exchange contracts						
Cross-currency swaps	–	–	2,270	2,270	118	(61)
Forward contracts	1,967	507	–	2,474	27	(14)
	1,967	507	2,270	4,744	145	(75)
	11,578	16,221	27,717	55,516	2,349	(1,351)

NOTE 29 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

	Notional amount				Carrying value	
December 31, 2022	1 year or less	1-5 years	Over 5 years	Total	Assets	Liabilities
Derivatives not designated as accounting hedges						
Interest rate contracts						
Swaps	1,104	2,338	4,588	8,030	181	(505)
Options purchased	1	114	–	115	–	–
Futures – long	6	–	–	6	–	–
Futures – short	169	–	–	169	–	–
	1,280	2,452	4,588	8,320	181	(505)
Foreign exchange contracts						
Cross-currency swaps	3,215	7,521	17,416	28,152	1,922	(979)
Forward contracts	3,270	–	–	3,270	14	(80)
Options written	82	–	–	82	–	–
	6,567	7,521	17,416	31,504	1,936	(1,059)
Other derivative contracts						
Equity contracts	1,567	224	103	1,894	39	(32)
Futures – long	12	–	–	12	–	–
Futures – short	1,134	–	–	1,134	13	–
Other forward contracts	271	–	–	271	3	–
Credit default swaps	–	500	175	675	–	–
	2,984	724	278	3,986	55	(32)
	10,831	10,697	22,282	43,810	2,172	(1,596)
Fair value hedges						
Foreign currency risk						
Foreign exchange contracts						
Forward contracts	83	–	–	83	–	(3)
Cash flow hedges						
Interest rate risk						
Interest rate contracts						
Swaps	–	72	965	1,037	45	–
Foreign currency risk						
Foreign exchange contracts						
Cross-currency swaps	–	100	–	100	6	–
Forward contracts	344	10	–	354	13	(4)
Equity risk						
Other derivative contracts						
Equity contracts	93	284	–	377	43	(19)
	437	466	965	1,868	107	(23)
Net investment hedges						
Foreign currency risk						
Foreign exchange contracts						
Cross-currency swaps	–	–	2,270	2,270	179	(45)
Forward contracts	2,027	456	–	2,483	22	(50)
	2,027	456	2,270	4,753	201	(95)
	13,378	11,619	25,517	50,514	2,480	(1,717)

The amount subject to maximum credit risk is limited to the current fair value of the instruments which are in a gain position (assets). The maximum credit risk represents the total cost of all derivative contracts with positive values and does not reflect actual or expected losses. The total assets and liabilities represents the total amount that the Corporation and its subsidiaries would receive (or pay) to terminate all agreements at year-end. However, this would not result in a gain or loss to the Corporation and its subsidiaries as the derivative instruments which correlate to certain assets and liabilities provide offsetting gains or losses.

NOTE 29 **DERIVATIVE FINANCIAL INSTRUMENTS** (continued)

DERIVATIVES DESIGNATED AS ACCOUNTING HEDGES

The following tables provide further details on the portfolio of derivative financial instruments designated as accounting hedges by the Corporation and its subsidiaries:

December 31, 2023 [exchange rates are expressed in dollar terms]	Notional amount 1 year or less	 1–5 years	 Over 5 years	 Total
Fair value hedges				
Foreign currency risk				
Foreign exchange contracts				
Forward contracts	80	–	–	80
Weighted average USD-CAD exchange rate	1.34	–	–	1.34
Cash flow hedges				
Interest rate risk				
Interest rate contracts				
Swaps	–	96	846	942
Weighted average fixed interest rate (%)	–	3.87	3.22	3.29
Foreign currency risk				
Foreign exchange contracts				
Forward contracts	10	–	–	10
Weighted average USD-CAD exchange rate	1.29	–	–	1.29
Cross-currency swaps	18	75	–	93
Weighted average USD-AUD exchange rate	–	1.33	–	1.33
Weighted average USD-CAD exchange rate	–	1.26	–	1.26
Weighted average USD-EUR exchange rate	0.92	0.91	–	0.91
Weighted average USD-GBP exchange rate	0.76	0.76	–	0.76
Equity risk				
Other derivative contracts				
Equity contracts	121	320	–	441
Weighted average share price ($/share)	32.78	39.29	–	37.28
Net investment hedges				
Foreign currency risk				
Foreign exchange contracts				
Cross-currency swaps	–	–	2,270	2,270
Weighted average EUR-CAD exchange rate	–	–	1.41	1.41
Weighted average GBP-CAD exchange rate	–	–	1.73	1.73
Forward contracts	1,967	507	–	2,474
Weighted average USD-CAD exchange rate	1.34	–	–	1.34
Weighted average EUR-GBP exchange rate	0.86	0.86	–	0.86

NOTE 29 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

December 31, 2022 [exchange rates are expressed in dollar terms]	Notional amount 1 year or less	1–5 years	Over 5 years	Total
Fair value hedges				
Foreign currency risk				
Foreign exchange contracts				
Forward contracts	83	–	–	83
Weighted average USD-CAD exchange rate	1.31	–	–	1.31
Cash flow hedges				
Interest rate risk				
Interest rate contracts				
Swaps	–	72	965	1,037
Weighted average fixed interest rate (%)	–	3.71	3.22	3.26
Foreign currency risk				
Foreign exchange contracts				
Forward contracts	344	10	–	354
Weighted average USD-CAD exchange rate	1.28	1.29	–	1.28
Weighted average EUR-CAD exchange rate	1.50	–	–	1.50
Cross-currency swaps	–	100	–	100
Weighted average USD-AUD exchange rate	–	1.33	–	1.33
Weighted average USD-CAD exchange rate	–	1.25	–	1.25
Weighted average USD-EUR exchange rate	–	0.91	–	0.91
Weighted average USD-GBP exchange rate	–	0.76	–	0.76
Equity risk				
Other derivative contracts				
Equity contracts	93	284	–	377
Weighted average share price ($/share)	29.28	36.66	–	34.29
Net investment hedges				
Foreign currency risk				
Foreign exchange contracts				
Cross-currency swaps	–	–	2,270	2,270
Weighted average EUR-CAD exchange rate	–	–	1.41	1.41
Weighted average GBP-CAD exchange rate	–	–	1.73	1.73
Forward contracts	2,027	456	–	2,483
Weighted average USD-CAD exchange rate	1.33	–	–	1.33
Weighted average EUR-GBP exchange rate	0.88	0.88	–	0.88

NOTE 29 **DERIVATIVE FINANCIAL INSTRUMENTS** (continued)

The Corporation and its subsidiaries use the following derivatives:

Type	Purpose
Interest rate contracts	Interest rate swaps, futures and options are used as part of a portfolio of assets to manage interest rate risk associated with investment activities and insurance and investment contract liabilities and to reduce the impact of fluctuating interest rates on the mortgage banking operations, intermediary operations and debt instruments. Interest rate swap agreements require the periodic exchange of payments without the exchange of the notional principal amount on which payments are based. Call options grant the Corporation and its subsidiaries the right to enter into a swap with predetermined fixed rate payments over a predetermined time period on the exercise date. Call options are used to manage the variability in future interest payments due to a change in credited interest rates and the related potential change in cash flows due to surrenders. Call options are also used to hedge minimum rate guarantees and debt instruments.
Foreign exchange contracts	Cross-currency swaps are used in combination with other investments to manage foreign exchange risk associated with investment activities and insurance and investment contract liabilities. Under these swaps, principal amounts and fixed or floating interest payments may be exchanged in different currencies. Cross-currency swaps are also used to hedge the Corporation and its subsidiaries' net investment in foreign operations. The Corporation and its subsidiaries may also enter into certain foreign exchange forward contracts to hedge certain product liabilities and future cash flows.
Other derivative contracts	Equity index swaps, futures and options are used to hedge certain product liabilities. Equity index swaps are also used as substitutes for cash instruments and are used to periodically hedge the market risk associated with certain fee income. Equity put options are used to manage the potential credit risk impact of significant declines in certain equity markets. Equity forward agreements and total return swaps are used to manage exposure to fluctuations in the total return of common shares related to deferred compensation arrangements. Forward agreements and total return swaps require the exchange of net contractual payments periodically or at maturity without the exchange of the notional principal amounts on which the payments are based. Certain of these instruments are not designated as hedges. Warrants are also used as part of the Corporation’s investment activities.

HEDGE ACCOUNTING

Fair Value Hedges

The ineffective portion of fair value hedges recognized in the net investment result, which includes foreign exchange contracts, was nil during 2023 and 2022.

Cash Flow Hedges

The ineffective portion of the cash flow hedges, which include interest rate contracts, foreign exchange contracts, and equity total return swap contracts, was not significant during 2023 and 2022, and the anticipated net gains (losses) expected to be reclassified out of other comprehensive income within the next twelve months are not significant. The maximum time frame for which variable cash flows are hedged is 20 years.

NOTE 29 **DERIVATIVE FINANCIAL INSTRUMENTS** (continued)

NET INVESTMENT HEDGES

The effects of the net investment hedges on the statements of earnings and statements of comprehensive income are shown in the following tables.

December 31, 2023	Change in fair value of hedged items for ineffectiveness measurement	Change in fair value of hedging instruments for ineffectiveness measurement	Gains (losses) deferred in other comprehensive income	Gains (losses) reclassified from other comprehensive income into net investment result	Ineffectiveness recognized in net investment result
Euro-denominated debt	10	(10)	(10)	–	–
Cross-currency swaps	35	(35)	(35)	–	–
Foreign exchange forward contracts	(17)	17	17	–	–
	28	(28)	(28)	–	–

December 31, 2022	Change in fair value of hedged items for ineffectiveness measurement	Change in fair value of hedging instruments for ineffectiveness measurement	Gains (losses) deferred in other comprehensive income	Gains (losses) reclassified from other comprehensive income into net investment result	Ineffectiveness recognized in net investment result
Euro-denominated debt	10	(10)	(10)	–	–
Cross-currency swaps	(25)	25	25	–	–
Foreign exchange forward contracts	122	(122)	(122)	–	–
	107	(107)	(107)	–	–

NOTE 29 **DERIVATIVE FINANCIAL INSTRUMENTS** (continued)

ENFORCEABLE MASTER NETTING AGREEMENTS OR SIMILAR AGREEMENTS

The Corporation and its subsidiaries enter into the International Swaps and Derivative Association's (ISDA's) master agreements for transacting over-the-counter derivatives. The Corporation and its subsidiaries receive and pledge collateral according to the related ISDA's Credit Support Annexes. The ISDA's master agreements do not meet the criteria for offsetting on the balance sheets because they create a right of set-off that is enforceable only in the event of default, insolvency, or bankruptcy.

For exchange-traded derivatives subject to derivative clearing agreements with exchanges and clearing houses, there is no provision for set-off at default. Initial margin is excluded from the tables below as it would become part of a pooled settlement process.

The following disclosure shows the potential effect on the balance sheets of financial instruments that have been shown in a gross position where right of set-off exists under certain circumstances that do not qualify for netting on the balance sheets.

	December 31, 2023			
		Related amounts not set off in the balance sheet		
	Gross amount of financial instruments presented in the balance sheet	Offsetting counterparty position [1]	Financial collateral received / pledged [2]	Net exposure
Financial instruments (assets)				
Derivative financial instruments	2,349	(968)	(1,097)	284
	2,349	(968)	(1,097)	284
Financial instruments (liabilities)				
Derivative financial instruments	1,351	(968)	(194)	189
	1,351	(968)	(194)	189

	December 31, 2022			
		Related amounts not set off in the balance sheet		
	Gross amount of financial instruments presented in the balance sheet	Offsetting counterparty position [1]	Financial collateral received / pledged [2]	Net exposure
Financial instruments (assets)				
Derivative financial instruments	2,480	(912)	(1,274)	294
	2,480	(912)	(1,274)	294
Financial instruments (liabilities)				
Derivative financial instruments	1,717	(912)	(513)	292
	1,717	(912)	(513)	292

[1] Includes counterparty amounts recognized on the balance sheets where the Corporation and its subsidiaries have a potential offsetting position (as described above) but does not meet the criteria for offsetting on the balance sheets, excluding collateral.

[2] Financial collateral presented above excludes overcollateralization and, for exchange-traded derivatives, initial margin. At December 31, 2023, total financial collateral, including initial margin and overcollateralization, received on derivative assets was $1,715 million ($1,348 million at December 31, 2022), and pledged on derivative liabilities was $773 million ($754 million at December 31, 2022).

NOTE 30 FAIR VALUE MEASUREMENT

The Corporation's assets and liabilities recorded at fair value and those for which fair value is disclosed 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 FVPL; ▪ 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 investments in jointly controlled corporations and associates; ▪ 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; ▪ most of the limited-life and redeemable fund units.

The Corporation's assets and liabilities recorded or disclosed 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 (Note 2) 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. The following tables distinguish between assets and liabilities recorded at fair value on a recurring basis and those for which fair value is disclosed.

NOTE 30 FAIR VALUE MEASUREMENT (continued)

These tables exclude fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of the fair value. Items excluded are: cash and cash equivalents, dividends, accounts and interest receivable, certain other financial assets, accounts payable, dividends and interest payable and certain other financial liabilities.

December 31, 2023	Carrying value	Level 1	Level 2	Level 3	Total fair value
Assets					
Assets recorded at fair value					
Bonds					
FVPL	145,213	–	144,961	252	145,213
FVOCI	11,750	–	11,750	–	11,750
Mortgage and other loans					
FVPL	33,459	–	29,211	4,248	33,459
FVOCI	578	–	578	–	578
Shares					
FVPL	16,177	10,994	218	4,965	16,177
FVOCI	411	411	–	–	411
Investments in jointly controlled corporations and associates [1]	832	–	–	832	832
Investment properties	7,870	–	–	7,870	7,870
Derivative instruments	2,349	6	2,327	16	2,349
Assets held for sale [2]	2,152	239	1,006	907	2,152
Other assets	3,500	242	3,239	19	3,500
	224,291	11,892	193,290	19,109	224,291
Assets disclosed at fair value					
Bonds					
Amortized cost	373	–	371	–	371
Mortgage and other loans					
Amortized cost	9,531	–	4,303	4,691	8,994
	9,904	–	4,674	4,691	9,365
Total	234,195	11,892	197,964	23,800	233,656
Liabilities					
Liabilities recorded at fair value					
Investment contract liabilities	88,919	–	88,919	–	88,919
Derivative instruments	1,351	5	1,338	8	1,351
Limited-life and redeemable fund units	1,833	3	15	1,815	1,833
Other liabilities	526	–	443	83	526
	92,629	8	90,715	1,906	92,629
Liabilities disclosed at fair value					
Obligations to securitization entities	4,688	–	–	4,696	4,696
Power Corporation’s debentures and other debt instruments	647	–	670	–	670
Non-recourse debentures and other debt instruments	14,625	192	13,845	–	14,037
Deposits and certificates	8,713	–	8,713	–	8,713
Other liabilities	147	–	–	147	147
	28,820	192	23,228	4,843	28,263
Total	121,449	200	113,943	6,749	120,892

[1] Represents 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 FVPL.

[2] Assets held for sale measured at fair value includes shares of $46 million and trading account assets of $2,106 million.

NOTE 30 FAIR VALUE MEASUREMENT (continued)

December 31, 2022 [1]	Carrying value	Level 1	Level 2	Level 3	Total fair value
Assets					
Assets recorded at fair value					
Bonds					
FVPL	143,385	–	143,190	195	143,385
FVOCI	12,701	–	12,701	–	12,701
Available for sale	358	–	358	–	358
Mortgage and other loans					
FVPL	32,489	–	29,013	3,476	32,489
FVOCI	621	–	621	–	621
Shares					
FVPL	14,453	10,721	86	3,646	14,453
Available for sale	964	613	–	351	964
Investments in jointly controlled corporations and associates [2]	697	–	–	697	697
Investment properties	8,344	–	–	8,344	8,344
Derivative instruments	2,480	13	2,439	28	2,480
Other assets	3,163	320	1,903	940	3,163
	219,655	11,667	190,311	17,677	219,655
Assets disclosed at fair value					
Bonds					
Loans and receivables	16	–	16	–	16
Mortgage and other loans					
Amortized cost	4,192	–	3,577	–	3,577
Loans and receivables	5,022	–	373	4,532	4,905
	9,230	–	3,966	4,532	8,498
Total	228,885	11,667	194,277	22,209	228,153
Liabilities					
Liabilities recorded at fair value					
Investment contract liabilities	94,810	–	94,810	–	94,810
Derivative instruments	1,717	–	1,712	5	1,717
Limited-life and redeemable fund units	1,697	86	34	1,577	1,697
Other liabilities	291	11	180	100	291
	98,515	97	96,736	1,682	98,515
Liabilities disclosed at fair value					
Obligations to securitization entities	4,610	–	–	4,544	4,544
Power Corporation's debentures and other debt instruments	647	–	650	–	650
Non-recourse debentures and other debt instruments	14,727	877	12,541	28	13,446
Deposits and certificates	5,978	–	5,978	–	5,978
Other liabilities	143	–	–	143	143
	26,105	877	19,169	4,715	24,761
Total	124,620	974	115,905	6,397	123,276

[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.

[2] Represents 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 FVPL.

There were no significant transfers between Level 1 and Level 2 in 2023 and 2022.

NOTE 30 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 years ended December 31, 2023 and 2022 is presented below.

	Bonds	Mortgage and other loans	Shares and investments in jointly controlled corporations and associates		Investment properties	Derivatives, net	Limited-life and redeemable fund units	Assets held for sale	Other assets (liabilities)	Total
December 31, 2023	FVPL	FVPL	FVPL [2]	FVOCI [3]						
Balance, beginning of year	195	3,476	4,343	351	8,344	23	(1,577)	–	840	15,995
Impact of initial application of IFRS 9	–	–	349	(349)	–	–	–	–	–	–
Restated balance, beginning of year	195	3,476	4,692	2	8,344	23	(1,577)	–	840	15,995
Total gains (losses)										
Net earnings	6	354	306	–	(507)	(3)	(190)	25	7	(2)
Other comprehensive income [1]	–	52	(30)	18	53	–	2	(14)	–	81
Purchases	68	–	1,445	–	191	(3)	–	12	24	1,737
Issues	–	578	–	–	–	–	(472)	–	–	106
Sales	(17)	–	(690)	(20)	(211)	–	–	(67)	(2)	(1,007)
Settlements	–	(150)	–	–	–	(9)	168	–	–	9
Other [4]	–	(62)	74	–	–	–	254	951	(933)	284
Balance, end of year	252	4,248	5,797	–	7,870	8	(1,815)	907	(64)	17,203

[1] Amount of other comprehensive income for FVPL investments, 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 FVPL on transition.

[4] Includes amounts reclassified to assets held for sale as a result of the agreement to sell Putnam Investments (Note 4).

	Bonds	Mortgage and other loans	Shares and investments in jointly controlled corporations and associates		Investment properties	Derivatives, net	Limited-life and redeemable fund units	Assets held for sale	Other assets (liabilities)	Total
December 31, 2022 [1]	FVPL	FVPL	FVPL [3]	Available for sale						
Balance, beginning of year	100	2,667	2,890	565	7,763	6	(1,005)	–	473	13,459
Impact of application of IFRS 9 overlay	45	6	312	(167)	–	–	–	–	–	196
Restated balance, beginning of year	145	2,673	3,202	398	7,763	6	(1,005)	–	473	13,655
Total gains (losses)										
Net earnings	(12)	(640)	82	60	(41)	26	(14)	–	(125)	(664)
Other comprehensive income [2]	–	(67)	28	(26)	(42)	(1)	(39)	–	30	(117)
Purchases	82	–	1,286	53	710	(5)	–	–	710	2,836
Issues	–	1,693	–	–	–	–	(528)	–	(50)	1,115
Sales	(20)	–	(266)	(135)	(55)	–	–	–	(168)	(644)
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)	–	–	–	–	(42)	(72)
Other	–	–	31	4	9	–	–	–	–	44
Balance, end of year	195	3,476	4,343	351	8,344	23	(1,577)	–	840	15,995

[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.

[2] Amount of other comprehensive income for FVPL investments, investment properties and other assets and liabilities represents the unrealized gains (losses) on foreign exchange.

[3] 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 30 FAIR VALUE MEASUREMENT (continued)

Significant unobservable inputs used at year-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 4.2% – 11.3%	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 4.1% – 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 4.7%	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 (FVPL)	The valuation approach for equity-release mortgages is to use an internal valuation model to determine the projected asset cash flows, including the 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% – 6.2%	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 and investments in jointly controlled corporations and associates	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 31 OTHER COMPREHENSIVE INCOME

	Items that may be reclassified subsequently to net earnings				Items that will not be reclassified to net earnings			
Year ended December 31, 2023	Investment revaluation	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)	(304)	40	1,202	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	(421)	40	1,202	(184)	(14)	(49)	1,092	1,666
Other comprehensive income (loss)	216	(15)	(87)	(17)	(94)	(101)	(65)	(163)
Realized (gains) losses on FVOCI equity instruments transferred to retained earnings	–	–	–	–	72	–	(93)	(21)
Other	(1)	–	–	(75)	–	–	90	14
Balance, end of year	(206)	25	1,115	(276)	(36)	(150)	1,024	1,496

	Items that may be reclassified subsequently to net earnings				Items that will not be reclassified to net earnings		
Year ended December 31, 2022	Investment revaluation	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	230	17	847	1,976	(474)	(17)	2,579
Impact of application of IFRS 9 overlay	40	–	(6)	–	–	–	34
Restated balance, beginning of year	270	17	841	1,976	(474)	(17)	2,613
Other comprehensive income (loss)	(574)	23	361	(926)	425	5	(686)
Other	–	–	–	37	–	(1)	36
Balance, end of year	(304)	40	1,202	1,087	(49)	(13)	1,963

NOTE 32 EARNINGS PER SHARE

The following is a reconciliation of the numerators and the denominators used in the computations of earnings per share:

	Years ended December 31,	
	2023	2022
Earnings		
Net earnings attributable to shareholders	2,247	2,247
Dividends on non-participating shares	(52)	(52)
Net earnings attributable to participating shareholders	2,195	2,195
Net loss attributable to participating shareholders from discontinued operations	87	21
Net earnings attributable to participating shareholders from continuing operations	2,282	2,216
Dilutive effect of subsidiaries' outstanding stock options	(5)	(3)
Effect of equity-settled method for TSARs [1]	–	(20)
Net earnings adjusted for dilutive effect from continuing operations	2,277	2,193
Number of participating shares [millions]		
Weighted average number of participating shares outstanding – Basic	662.0	670.6
Potential exercise of outstanding stock options	1.1	2.9
Weighted average number of participating shares outstanding – Diluted	663.1	673.5
Net earnings per participating share from continuing operations		
Basic	3.45	3.30
Diluted	3.43	3.26
Net earnings per participating share		
Basic	3.32	3.27
Diluted	3.30	3.22

[1] Options with TSARs are accounted for as cash-settled share-based payments. As these options can be exercised in exchange for subordinate voting shares or for cash, they are considered potentially dilutive and are included in the calculation of the diluted net earnings per share if they have a dilutive impact in the year, and the net earnings used in the diluted calculation is adjusted to reflect the expense had these options been classified as equity-settled.

For 2023, 1.0 million stock options (1.6 million in 2022) were excluded from the computation of diluted earnings per share as they were anti-dilutive.

NOTE 33 RELATED PARTIES

TRANSACTIONS WITH RELATED PARTIES

In the normal course of business, Power Corporation and its subsidiaries enter into various transactions: subsidiaries provide insurance benefits, sub-advisory services, distribution of insurance products and/or other administrative and technology services to other subsidiaries of the group and to the Corporation; sale of residential mortgage loans; employee ownership participations; loans to employees; as well as capital commitments to investment funds, including commitments from management, performance fees and base management fees paid to alternative asset managers of the group. In all cases, these transactions are in the normal course of operations and have been recorded at fair value. Balances and transactions between the Corporation and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of other transactions between the Corporation and related parties are disclosed below.

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 (Note 7).

On September 28, 2023, Lifeco and Sagard completed a transaction which expanded their existing strategic relationship with Lifeco (Note 4).

On November 30, 2023, Lifeco and IGM completed the previously announced sale of 100% of IPC from IGM to Lifeco for a consideration of $585 million (Note 4). The transaction was reviewed and approved by the appropriate related party and conduct review committee.

In the third quarter of 2023, a wind project in construction and a project in development were transferred from Potentia to PSEIP in exchange for consideration of $12 million in cash and units in the fund.

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.

KEY MANAGEMENT COMPENSATION

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly. The persons included in the key management personnel are the members of the Board of Directors of the Corporation, as well as certain management executives of the Corporation and its subsidiaries.

The following table details all compensation paid to, awarded to, or earned by each of the key management personnel for services rendered in all capacities to the Corporation and its subsidiaries:

	Years ended December 31,	
	2023	2022
Compensation and employee benefits	29	25
Post-employment benefits	1	1
Share-based payments	23	17
	53	43

NOTE 34 CONTINGENT LIABILITIES

The Corporation and its subsidiaries are from time to time subject to legal actions, including arbitrations and class actions. Provisions are established if, in management of the Corporation and of its subsidiaries' judgment, it is probable a payment will be required and the amount can be reliably estimated. 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. Actual results could differ from the best estimates of the Corporation's and its subsidiaries' management.

LIFECO

Subsidiaries of Lifeco in the United States are defendants in legal actions, including class actions, relating to the costs and features of their retirement and fund products and the conduct of their businesses. Management of Lifeco believes the claims are without merit and will be vigorously defending these actions. Based on the information presently known, these actions will not have a material adverse effect on the financial position of the Corporation.

IGM FINANCIAL

In late March 2023, IGM 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. IGM has notified impacted clients and offered credit monitoring at no cost for two years to all clients. Four proposed class actions have been filed against Mackenzie concerning this incident. Although it is difficult to predict the outcome of any such legal actions, based on current knowledge, management of IGM does not expect the outcome of these matters to have a material adverse effect on the financial position of the Corporation.

NOTE 35 COMMITMENTS AND GUARANTEES

GUARANTEES

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

LETTERS OF CREDIT

Letters of credit are written commitments provided by a bank. The total amount of letter of credit facilities at Lifeco is US$1,920 million, of which US$1,111 million were issued as of December 31, 2023.

The Capital and Risk Solutions activities also periodically use letters of credit as collateral under certain reinsurance contracts for on-balance-sheet policy liabilities.

Potentia and Power Sustainable Energy Infrastructure have issued letters of credit totalling $385 million with one-year terms to support required lender reserves, performance guarantees for operating solar assets and awarded wind power purchase agreements, as well as commitments for projects under construction.

INVESTMENT COMMITMENTS

With respect to Lifeco, commitments of investment transactions made in the normal course of operations in accordance with policies and guidelines and that are to be disbursed upon fulfillment of certain contract conditions were $6,125 million as at December 31, 2023, with $6,041 million maturing within one year, $61 million maturing within two years, $15 million maturing within three years, $1 million maturing within four years and $7 million maturing within over five years.

The Corporation and other subsidiaries have outstanding commitments of $335 million representing future capital contributions to investment funds and other investments.

PLEDGING OF ASSETS FOR REINSURANCE AGREEMENTS

In addition to the assets pledged by Lifeco disclosed elsewhere in the financial statements:

(i) The amount of assets included in the Corporation’s balance sheets which have a security interest by way of pledging is $1,462 million ($1,467 million at December 31, 2022) in respect of reinsurance agreements.

In addition, under certain reinsurance contracts, bonds presented in investments are held in trust and escrow accounts. Assets are placed in these accounts pursuant to the requirements of certain legal and contractual obligations to support contract liabilities assumed.

(ii) Lifeco has pledged, in the normal course of business, $72 million ($74 million at December 31, 2022) of its assets for the purpose of providing collateral for the counterparty.

ENERGY SALES CONTRACTS

Power Sustainable Energy Infrastructure and Potentia have entered into various power purchase agreements (PPA) to sell substantially all electricity produced from its solar and wind projects to credit-rated counterparties. The contract rates are fixed for a period of 5 to 25 years.

Power Sustainable Energy Infrastructure has issued certain indemnifications and guarantees in relation to projects in operation and under construction. These guarantees are non-recourse to the Corporation.

NOTE 36 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 and investment services, savings, 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. Its portfolio is comprised of a portfolio of listed, private and alternative investments 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 an associate 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.

Revenues and assets are attributed to geographic areas based on the point of origin of revenues and the location of assets.

NOTE 36 **SEGMENTED INFORMATION** (continued)

CONSOLIDATED NET EARNINGS

For the year ended December 31, 2023	Lifeco	IGM	GBL	Holding company	Alternative asset investment platforms and other	Effect of consolidation	Total
Segment revenue							
Insurance revenue [1]	20,402	-	-	-	-	-	20,402
Net investment income [2]	8,859	438	–	12	254	(368)	9,195
Changes in fair value through profit or loss [2]	6,489	–	–	55	142	(22)	6,664
Fee income [3][4]	5,874	3,432	–	–	284	(113)	9,477
Other [3]	-	-	-	-	690	–	690
Total segment revenue	41,624	3,870	–	67	1,370	(503)	46,428
Other insurance and investment results							
Insurance service expenses [1]	(15,777)	–	–	–	–	–	(15,777)
Net expense from reinsurance contracts [1]	(1,544)	–	–	–	–	–	(1,544)
Net investment result from insurance activities [2][5]	(13,820)	–	–	–	–	–	(13,820)
Net investment result from insurance contracts on account of segregated fund policyholders	–	–	–	–	–	–	–
Total other insurance and investment results	(31,141)	–	–	–	–	–	(31,141)
Other expenses							
Operating and administrative expenses [4]	6,994	2,562	–	187	1,540	(69)	11,214
Financing charges	426	141	–	55	137	7	766
Total other expenses	7,420	2,703	–	242	1,677	(62)	11,980
Earnings before investments in jointly controlled corporations and associates, and income taxes	3,063	1,167	–	(175)	(307)	(441)	3,307
Share of earnings (losses) of investments in jointly controlled corporations and associates	5	200	423	99	1	(113)	615
Earnings before income taxes	3,068	1,367	423	(76)	(306)	(554)	3,922
Income taxes	53	214	–	42	(31)	(15)	263
Net earnings from continuing operations	3,015	1,153	423	(118)	(275)	(539)	3,659
Net loss from discontinued operations [Note 4]	(124)	–	–	–	–	–	(124)
Net earnings	2,891	1,153	423	(118)	(275)	(539)	3,535
Attributable to							
Non-controlling interests	1,078	709	–	138	(98)	(539)	1,288
Non-participating shareholders	–	–	–	52	–	–	52
Participating shareholders [6][7]	1,813	444	423	(308)	(177)	–	2,195
	2,891	1,153	423	(118)	(275)	(539)	3,535

[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 36 **SEGMENTED INFORMATION** (continued)

TOTAL ASSETS AND LIABILITIES

December 31, 2023	Lifeco	IGM	GBL	Holding company	Alternative asset investment platforms and other	Effect of consolidation	Total
Cash and cash equivalents	7,742	545	–	1,218	639	(207)	9,937
Investments	217,868	5,260	–	107	2,017	110	225,362
Investments in Lifeco, IGM and alternative asset investment platforms and other	833	1,301	–	21,527	–	(23,661)	–
Investments in jointly controlled corporations and associates	367	3,070	3,717	3	1,392	(397)	8,152
Assets held for sale	4,467	–	–	–	–	–	4,467
Other assets	43,264	4,599	–	282	9,439	(300)	57,284
Goodwill and intangible assets	15,928	3,901	–	2	1,490	(1)	21,320
Investments on account of segregated fund policyholders	422,956	–	–	–	–	–	422,956
Total assets [1]	713,425	18,676	3,717	23,139	14,977	(24,456)	749,478
Insurance and investment contract liabilities	233,307	–	–	–	–	–	233,307
Liabilities held for sale	2,407	–	–	–	–	–	2,407
Obligations to securitization entities	–	4,688	–	–	–	–	4,688
Power Corporation's debentures and other debt instruments	–	–	–	647	–	–	647
Non-recourse debentures and other debt instruments	9,046	2,400	–	250	3,017	(88)	14,625
Other liabilities	15,663	4,855	–	986	8,509	(430)	29,583
Insurance and investment contracts on account of segregated fund policyholders	422,956	–	–	–	–	–	422,956
Total liabilities	683,379	11,943	–	1,883	11,526	(518)	708,213

[1] Total assets of the Lifeco and IGM operating segments include the allocation of goodwill and certain consolidation adjustments.

TOTAL ASSETS AND TOTAL REVENUES BY GEOGRAPHIC LOCATION

December 31, 2023	Canada	United States	Europe and other	Total
Investments and cash and cash equivalents	96,647	91,498	47,154	235,299
Investments in jointly controlled corporations and associates	947	1,420	5,785	8,152
Assets held for sale	–	4,467	–	4,467
Other assets	19,243	30,236	7,805	57,284
Goodwill and intangible assets	11,739	6,465	3,116	21,320
Investments on account of segregated fund policyholders	101,250	179,770	141,936	422,956
Total assets	229,826	313,856	205,796	749,478
Total revenues	21,293	12,243	12,892	46,428

NOTE 36 **SEGMENTED INFORMATION** (continued)

CONDENSED STATEMENTS OF CASH FLOWS

December 31, 2023	Lifeco	IGM	Holding company	Alternative asset investment platforms and other	Effect of consolidation	Total
Operating activities	5,203	837	1,488	(90)	(1,505)	5,933
Financing activities	(3,550)	(204)	(2,110)	1,657	1,404	(2,803)
Investing activities	(786)	(1,161)	563	(1,418)	181	(2,621)
Effect of changes in exchange rates on cash and cash equivalents	(40)	–	–	(3)	(2)	(45)
Increase (decrease) in cash and cash equivalents	827	(528)	(59)	146	78	464
Cash and cash equivalents, beginning of year	7,290	1,073	1,277	493	(285)	9,848
Cash and cash equivalents from continuing and discontinued operations, end of year	8,117	545	1,218	639	(207)	10,312
Less: Cash and cash equivalents from discontinued operations, end of year [Note 4]	(375)	–	–	–	–	(375)
Cash and cash equivalents from continuing operations, end of year	7,742	545	1,218	639	(207)	9,937

NOTE 36 **SEGMENTED INFORMATION** (continued)

CONSOLIDATED NET EARNINGS

For the year ended December 31, 2022 (restated)	Lifeco	IGM	GBL	Holding company	Alternative asset investment platforms and other	Effect of consolidation	Total
Segment revenue							
Insurance revenue [1]	19,632	–	–	–	–	–	19,632
Net investment income [2]	7,573	25	–	49	(65)	31	7,613
Changes in fair value through profit or loss [2]	(31,000)	(1)	–	(1)	5	19	(30,978)
Fee income [3][4]	5,158	3,431	–	–	253	(112)	8,730
Other [3]	–	–	–	–	537	–	537
Total segment revenue	1,363	3,455	–	48	730	(62)	5,534
Other insurance and investment results							
Insurance service expenses [1]	(15,272)	–	–	–	–	–	(15,272)
Net expense from reinsurance contracts [1]	(1,531)	–	–	–	–	–	(1,531)
Net investment result from insurance activities [2][5]	26,012	–	–	–	–	–	26,012
Net investment result from insurance contracts on account of segregated fund policyholders	–	–	–	–	–	–	–
Total other insurance and investment results	9,209	–	–	–	–	–	9,209
Other expenses							
Operating and administrative expenses [4]	6,136	2,429	–	125	1,089	(96)	9,683
Financing charges	393	114	–	55	94	16	672
Total other expenses	6,529	2,543	–	180	1,183	(80)	10,355
Earnings before investments in jointly controlled corporations and associates, and income taxes	4,043	912	–	(132)	(453)	18	4,388
Share of earnings (losses) of investments in jointly controlled corporations and associates	21	211	(15)	57	(146)	(162)	(34)
Earnings before income taxes	4,064	1,123	(15)	(75)	(599)	(144)	4,354
Income taxes	394	250	–	4	(8)	6	646
Net earnings from continuing operations	3,670	873	(15)	(79)	(591)	(150)	3,708
Net loss from discontinued operations [Note 4]	(32)	–	–	–	–	–	(32)
Net earnings	3,638	873	(15)	(79)	(591)	(150)	3,676
Attributable to							
Non-controlling interests	1,273	319	–	135	(148)	(150)	1,429
Non-participating shareholders	–	–	–	52	–	–	52
Participating shareholders [6][7]	2,365	554	(15)	(266)	(443)	–	2,195
	3,638	873	(15)	(79)	(591)	(150)	3,676

[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 36 **SEGMENTED INFORMATION** (continued)

TOTAL ASSETS AND LIABILITIES

December 31, 2022 (restated)	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
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	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 the Lifeco and IGM operating segments include the allocation of goodwill and certain consolidation adjustments.

TOTAL ASSETS AND TOTAL REVENUES BY GEOGRAPHIC LOCATION

December 31, 2022 (restated)	Canada	United States	Europe and other	Total
Investments and cash and cash equivalents	93,386	95,332	43,675	232,393
Investments in jointly controlled corporations and associates	895	289	5,332	6,516
Other assets	14,658	32,470	7,549	54,677
Goodwill and intangible assets	11,503	8,155	3,275	22,933
Investments on account of segregated fund policyholders	93,816	166,274	127,792	387,882
Total assets	214,258	302,520	187,623	704,401
Total revenues	6,550	(3,215)	2,199	5,534

CONDENSED STATEMENTS OF CASH FLOWS

December 31, 2022 (restated)	Lifeco	IGM	Holding company	Alternative asset investment platforms and other	Effect of consolidation	Total
Operating activities	3,772	738	1,473	(34)	(1,695)	4,254
Financing activities	(620)	(1,092)	(1,891)	1,146	1,509	(948)
Investing activities	(2,218)	135	60	(1,392)	165	(3,250)
Effect of changes in exchange rates on cash and cash equivalents	281	–	–	14	(12)	283
Increase (decrease) in cash and cash equivalents	1,215	(219)	(358)	(266)	(33)	339
Cash and cash equivalents, beginning of the year	6,075	1,292	1,635	759	(252)	9,509
Cash and cash equivalents, end of year	7,290	1,073	1,277	493	(285)	9,848

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Power Corporation of Canada

Opinion

We have audited the consolidated financial statements of Power Corporation of Canada (the "Corporation"), which comprise the consolidated balance sheets as at December 31, 2023 and 2022 and January 1, 2022, and the consolidated statements of earnings, comprehensive income, changes in equity and cash flows for the years ended December 31, 2023 and 2022, and notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2023 and 2022 and January 1, 2022, and its financial performance and its cash flows for the years ended December 31, 2023 and 2022 in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INSURANCE CONTRACT LIABILITIES – REFER TO NOTES 2 AND 11 TO THE FINANCIAL STATEMENTS

Key Audit Matter Description

Great-West Lifeco Inc., a publicly traded operating subsidiary of the Corporation (thereafter, "Lifeco"), has insurance contract liabilities representing a significant portion of the Corporation's total liabilities. Insurance contract liabilities are determined in accordance with IFRS 17, *Insurance Contracts* ("IFRS 17"). This requires the use of complex valuation models and assumptions to measure groups of contracts as the total of fulfillment cash flows, plus a risk adjustment for non-financial risk and contractual service margin ("CSM"). The CSM component is only relevant for groups of insurance contracts measured using the general measurement model and the variable fee approach.

While there is considerable judgment applied by management of Lifeco and inherent uncertainty in selecting assumptions, the assumptions with the greatest estimation uncertainty are related to mortality, policyholder behaviour and discount rates. These assumptions required significant auditor attention in specific circumstances where (i) there is limited Lifeco and industry experience data, and (ii) the historical experience may not be a good indicator of the future and (iii) the determination of discount rates requires complex calculation and measurement of unobservable market inputs. Auditing of certain valuation models and significant assumptions (mortality, policyholder behaviour and discount rate) required a high degree of auditor judgment and an increased extent of audit effort, including the need to involve actuarial and fair value specialists.

How the Key Audit Matter was Addressed in the Audit

Our audit procedures related to certain valuation models and significant assumptions included the following, among others:

- With the assistance of actuarial and fair value specialists, tested the appropriateness of certain valuation models used in the valuation process by:
  - Calculating an independent estimate of the insurance contract liability for a sample of insurance policies and comparing the results to Lifeco's estimate;
  - Testing the accuracy of certain valuation models for changes in key assumptions.

INDEPENDENT AUDITOR'S REPORT (continued)

- With the assistance of actuarial specialists, tested the reasonableness of mortality and policyholder behaviour assumptions by:
  - Evaluating whether management of Lifeco's assumptions were determined in accordance with the requirements of IFRS 17;
  - Testing experience studies and other inputs used in the determination of the assumptions;
  - Analyzing management of Lifeco's interpretation and judgment of its experience study results and emerging claims experience, evaluating new and revised key assumptions, assessing reasonable possible alternative assumptions, and considering industry and other external sources of benchmarking, where applicable.
- With the assistance of actuarial and fair value specialists, evaluated the reasonableness of the discount rates used by:
  - Evaluating whether management of Lifeco's assumptions and methodologies were determined in accordance with the requirements of IFRS 17;
  - Testing the inputs and source information underlying the determination of the discount rates and developing a range of independent estimates and comparing those to the discount rates selected by management of Lifeco.

ADOPTION OF NEW AND AMENDED ACCOUNTING STANDARDS - IFRS 17 - REFER TO NOTE 3 TO THE FINANCIAL STATEMENTS

Key Audit Matter Description

The Corporation and its subsidiaries adopted IFRS 17 effective January 1, 2023, which impacted primarily Lifeco. The adoption of IFRS 17 was done on a retrospective basis which had an impact on the Corporation's January 1, 2022 opening equity balances. IFRS 17 is a complex accounting standard requiring considerable judgment and interpretation in its implementation, and impacts how Lifeco, due to its insurance activities, recognizes, measures, presents and discloses insurance contracts. In adopting the new standard, Lifeco used significant judgment in developing and implementing accounting policies, including policies specific to transition. Of particular importance, Lifeco elected to use the fair value approach for groups of contracts where full retrospective application was impracticable. Under the fair value approach, the CSM at transition is equal to the fair value of a group of insurance contracts less the fulfillment cash flows measured at that date.

There are many components embedded in the determination of the fair value for groups of insurance contracts that required management of Lifeco to use significant judgment in making estimates and assumptions related to (1) the appropriateness of the fair value methodology and calculations, (2) the appropriateness of the fair value adjustments to fulfillment cash flows and (3) the appropriateness of the discount rates. Auditing of the development and implementation of IFRS 17 accounting policies and the judgments, assumptions and estimates used in the fair value determination for groups of contracts required a high degree of auditor judgment and an increased extent of audit effort, including the need to involve fair value, technical accounting and actuarial specialists.

How the Key Audit Matter was Addressed in the Audit

With the assistance of various specialists, our audit procedures related to the development and implementation of IFRS 17 accounting policies and judgments, assumptions and estimates used in the fair value determination for groups of insurance contracts as at January 1, 2022 included the following, among others:

- Evaluated the appropriateness of management of Lifeco's accounting policies and tested that they were appropriately implemented.
- Evaluated the fair value approach methodology and related fair value adjustments against the requirements of IFRS 17 and IFRS 13, *Fair Value Measurement* ("IFRS 13") by:
  - Evaluating the methodologies and fair value adjustments and their applicability under IFRS 17 and IFRS 13;
  - Examining the audited historical projected cashflows and assumptions to ensure they are incorporated into the transition valuation models as applicable;
  - Evaluating new and revised key assumptions under IFRS 17;
  - Testing the appropriateness of certain valuation models used in the estimation process by calculating an independent estimate of the insurance contract liability for a sample of insurance policies and comparing the results to Lifeco's estimate.

INDEPENDENT AUDITOR'S REPORT (continued)

- Evaluated the reasonableness of the discount rates used to determine fair value by:
  - Evaluating whether management of Lifeco's assumptions and methodologies were determined in accordance with the requirements of IFRS 17 and IFRS 13;
  - Testing the inputs and source information underlying the determination of the discount rates and developing a range of independent estimates and comparing those to the discount rates selected by management of Lifeco.

Other Information

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

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

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

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

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT (continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Matthew J. Welchinski.

/s/ Deloitte LLP[1]

[1] CPA auditor, public accountancy permit No. TA149936

March 20, 2024
Montréal, Québec

Great-West Lifeco Inc.

PART B

Management's Discussion and Analysis

Financial Statements and Notes

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.sedarplus.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.

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 and twelve months ended December 31, 2023 and includes a comparison to the corresponding periods in 2022, to the three months ended September 30, 2023, and to the Company's financial condition as at December 31, 2022, as applicable. The comparative 2022 periods are restated and audited 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.

Businesses of Lifeco

Lifeco has operations in Canada, the U.S. and Europe through The Canada Life Assurance Company (Canada Life), Empower Annuity Insurance Company of America (Empower, formerly known Great-West Life & Annuity Insurance Company), and Irish Life Group Limited (Irish Life). On January 1, 2024, Lifeco completed the previously announced sale of Putnam Investments (Putnam) to Franklin Resources, Inc., operating as "Franklin Templeton". As a result of the transaction, Putnam is presented as discontinued operations throughout this document.

In Canada, Canada Life offers a broad portfolio of financial and benefit plan solutions for individuals, families, businesses and organizations through three primary business units: Workplace Solutions, Individual Wealth Management and Insurance & Annuities. Through Workplace Solutions, the Company provides life, accidental death and dismemberment, critical illness, disability, health and dental protection, creditor insurance as well as retirement savings and income and annuity products and other specialty products to group clients in Canada. These products are distributed through an extensive network of group sales offices located across the country through brokers, consultants and financial security advisors. Through Individual Wealth Management, the Company provides wealth savings and income products and services to individual customers. Through Insurance & Annuities, the Company provides individual life, disability and critical illness insurance products and services, as well as individual life annuities to individual customers. These individual insurance and wealth products are distributed through multiple channels: Advisor Solutions, managing general agencies (MGAs), national accounts and Financial Horizons Group.

In the U.S., Empower Annuity Insurance Company of America (Empower) is a leading provider of employer-sponsored retirement savings plans in the public/non-profit and corporate sectors. Empower consists of Empower Defined Contribution, which aligns with the Workplace Solutions business value driver, offering saving, investment and advisory services through employer-sponsored plans. Empower Personal Wealth, which operates under the Wealth & Asset Management value driver, offers individual product solutions and provides retail wealth management products and services to individuals, including individual retirement accounts and after-tax investment accounts. Empower's products and services are marketed nationwide through its sales force, brokers, consultants, advisors, third-party administrators and financial institutions.

The Europe segment is comprised of three distinct business units: Workplace Solutions, Individual Wealth & Asset Management and Insurance & Annuities, and serves customers in the United Kingdom (U.K.), Ireland and Germany, offering individual and group protection and wealth management products, including payout annuity products, equity release mortgages, pensions and investments products. The Company operates under the Canada Life brand in the U.K. and Germany and under the Irish Life brand in Ireland along with other acquired brands within the broker market in Ireland.

The Capital and Risk Solutions segment includes the Reinsurance business unit under the Insurance & Risk Solutions value driver, 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. As a retrocessionaire, the Company provides reinsurance to other reinsurers to enable those companies to manage their insurance risk.

Lifeco currently has no other material holdings and carries on no business or activities unrelated to its holdings in Canada Life, Empower, Irish Life and their subsidiaries. However, Lifeco is not restricted to investing in those companies and may make other investments in the future.

Basis of Presentation and Summary of Material Accounting Policies

The consolidated 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 annual consolidated financial statements for the year ended December 31, 2023 which reflect the adoption of IFRS 17, *Insurance Contracts*, and IFRS 9, *Financial Instruments* that resulted in the restatement of certain comparative amounts.

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 and its operations, business (including business mix), financial condition, expected financial performance (including revenues, earnings or growth rates, medium-term financial objectives and base earnings objectives for the Empower business), strategies and prospects, climate-related and diversity-related measures, objectives, goals, ambitions and commitments, expected costs and benefits of acquisitions and divestitures (including timing of integration activities and timing and extent of revenue and expense synergies), expected expenditures or investments (including but not limited to investment in technology infrastructure and digital capabilities and solutions and investments in strategic partnerships), value creation and realization and growth opportunities, expected dividend levels, expected cost reductions and savings, expected capital management activities and use of capital, estimates of risk sensitivities affecting capital adequacy ratios, anticipated global economic conditions, the timing and completion of the proposed sale of Canada Life U.K.'s individual onshore protection business, and 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 particular, in setting its objective to achieve base earnings growth in the Empower business of 15-20% in 2024, management has assumed the completion of the integration of the Prudential Financial, Inc. (Prudential) business in the first half of 2024, the full realization of pre-tax expense synergies of US$180 million related to the Prudential acquisition by the completion of integration, pre-tax revenue synergies related to the Prudential acquisition of US$20 million by the end of 2024, and that the performance of equity, interest rate and credit markets during the relevant period is consistent with management's expectations, which take into account current market information and assume no credit impairments. In arriving at our preliminary assessment of the Company's potential exposure to Pillar Two income taxes and our expectation regarding the impact on our effective income tax rate and base earnings, management has relied on its interpretation of the relevant legislation. It has also assumed a starting point of its current mix of business and base earnings growth consistent with management's base earnings objectives disclosed in this MD&A. In all cases, whether or not actual results differ from forward-looking information may depend on numerous factors, developments and assumptions, including, without limitation, the ability to integrate and leverage acquisitions and achieve anticipated benefits and synergies, the achievement of expense synergies and client retention targets from the acquisition of the Prudential retirement business, the Company's ability to execute strategic plans and adapt or recalibrate these plans as needed, the Company's reputation, business competition, assumptions around sales, pricing, fee rates, customer behaviour (including contributions, redemptions, withdrawals and lapse rates), mortality and morbidity experience, expense levels, reinsurance arrangements, global equity and capital markets (including continued access to equity and debt markets and credit instruments on economically feasible terms), geopolitical tensions and related economic impacts, interest and foreign exchange rates, inflation levels, liquidity requirements, investment values and asset breakdowns, hedging activities, financial condition of industry sectors and individual issuers that comprise part of the Company's investment portfolio, credit ratings, taxes, impairments of goodwill and other intangible assets, technological changes, breaches or failure of information systems and security (including cyber attacks), assumptions around third-party suppliers, 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, unplanned changes to the Company's facilities, customer and employee relations, levels of administrative and operational efficiencies, 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 "Risk Management and Control Practices" and "Summary of Critical Accounting Estimates" sections of this document and in the Company's annual information form dated February 14, 2024 under "Risk Factors", which, along with other filings, is available for review at www.sedarplus.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, goals, priorities, strategies and commitments or actions that will be taken to achieve them. The climate-related statements include statements with respect to achieving net-zero GHG emissions for its operating and financing activities by 2050, the Company's initial interim net zero goals for operations and investments, the Company's plan to review and revise initial interim net zero goals as appropriate, 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 information in this update is presented for the purpose of assisting our stakeholders in understanding how we currently intend to address climate-related and diversity-related governance, strategy, risks, opportunities, and objectives, and is not appropriate for other purposes.

Any commitments, objectives, goals, ambitions or targets discussed here, including but not limited to the Company's net-zero related goals (including interim net zero goals) and diversity-related measures, are aspirational. They may need to change or be 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 and the scope of assets to be included in our 2050 net zero related goals, remains under review. 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 goals, objectives, ambitions, 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.

Any goals, objectives, priorities, ambitions, commitments or targets discussed in this MD&A, may also need to change or be recalibrated to meet our other strategic objectives and the reasonable expectations of our stakeholders, including expectations around financial performance. As a financial services company, our primary purpose is to provide our clients and customers with solutions to meet their financial security needs and to deliver on the promises we make to them. Our ability to fulfil this corporate purpose depends in large part on effective and responsible capital allocation and the ability to create value within the boundaries of our stakeholders' expectations, including expectations around financial performance. The path to achieving net zero and our climate-related objectives will require significant investment, resources, systems and technologies by third parties we do not control. Faced with a wide range of stakeholder interests, we will need to effectively manage trade-offs and make choices about how to deploy financial and human capital. These choices could include prioritizing other strategic objectives over our climate-related goals in pursuit of fulfilling our primary purpose, delivering value to our stakeholders and meeting expectations around financial performance. As our business, our industry and climate science evolve over time, we may need to adjust our climate-related goals and our approach to meeting them. We will also need to remain thoughtful about the regulatory and business environment of the jurisdictions in which we operate, as our ability to achieve our climate goals is contingent on the success of our partners and communities.

We caution readers not to place undue reliance on forward-looking statements because numerous factors (many of which are beyond the control of the Company) may cause actual results to differ materially from those expressed or implied by forward-looking information and impact the Company's ability to achieve its climate-related and diversity-related goals, objectives, priorities, ambitions, strategies and targets. 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), trade-offs and choices we make that prioritize other strategic objectives and financial performance over our climate-related objectives, the ability of clients, regulators and suppliers to meet and report on their publicly stated emissions and commitments, the viability of third-party decarbonization scenarios, the availability of carbon offset and renewable energy instruments on economically feasible terms, 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. In relation to our climate-related objectives, goals, objectives, priorities, ambitions, strategies and targets, there are limitations and uncertainties inherent in climate science, climate risk analysis and reporting. The Company has made good faith approximations and assumptions in establishing its interim Scope 1 and 2 reduction goals and initial reduction goals for Scope 3 financed emissions. However, there are many factors that are the subject of ongoing climate science and that we cannot foresee or accurately predict which will impact our ability to achieve those goals.

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$)", "base earnings: insurance service result", "base earnings: net investment result", "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" 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.

Consolidated Operating Results

Selected consolidated financial information

(in Canadian $ millions, except per share amounts)	As at or for the three months ended: **Dec. 31 2023**	Sept. 30 2023	Dec. 31 2022 (Restated)	For the twelve months ended: **Dec. 31 2023**	Dec. 31 2022 (Restated)
Base earnings[1,5]	$ 971	$ 950	$ 894	$ 3,667	$ 3,318
Net earnings from continuing operations[3]	743	936	478	2,862	3,628
Net earnings - common shareholders	740	905	452	2,738	3,596
Per common share					
Basic:					
Base earnings[2,5]	1.04	1.02	0.96	3.94	3.56
Net earnings from continuing operations	0.80	1.01	0.51	3.07	3.89
Net earnings	0.79	0.97	0.48	2.94	3.86
Dividends paid	0.52	0.52	0.49	2.08	1.96
Book value[3]	24.26	24.01	23.28		
Base return on equity[2,5]	16.6 %	16.4 %	15.8 %		
Return on equity - continuing operations[3]	12.4 %	11.2 %	17.2 %		
Base dividend payout ratio[2,5]	50.0 %	51.0 %	51.0 %		
Dividend payout ratio[3]	65.6 %	53.5 %	102.1 %		
Financial leverage ratio[4]	30 %	31 %	33 %		
Total assets per financial statements	$ 713,230	$ 680,010	$ 672,206		
Total assets under management[1,8]	1,095,374	1,032,857	1,003,940		
Total assets under administration[1,8]	2,852,540	2,628,364	2,468,463		
Total contractual service margin (net of reinsurance held)	$ 12,635	$ 13,054	$ 13,123		
Total equity	$ 29,851	$ 29,529	$ 28,795		
Canada Life Assurance Company consolidated LICAT Ratio[6]	128 %	128%			
Canada Life Assurance Company consolidated LICAT Ratio - proforma[7]			130 %		

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 contractual service margin (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 Comparative results are restated to exclude net earnings (losses) from discontinued operations related to Putnam Investments.

6 The Life Insurance Capital Adequacy Test (LICAT) Ratio is based on the consolidated results of The Canada Life Assurance Company, 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.

7 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.

8 At December 31, 2023, other assets under management included $161.6 billion related to the discontinued operations of Putnam Investments.

Lifeco 2023 Highlights

Financial Performance

- For the twelve months ended December 31, 2023, base earnings per common share were $3.94 compared to $3.56 a year ago, an increase of 11%, reflecting strong business growth and positive investment returns. 2023 base earnings of $3,667 million were up $349 million or 11% compared to 2022 base earnings of $3,318 million. The increase in base earnings year-over-year was driven by organic growth at Empower, the impact of higher average equity markets on net fee and spread income as well as an additional quarter of Prudential-related earnings in the U.S. segment. Higher base earnings in the Capital and Risk Solutions segment was mainly the result of higher structured reinsurance business earnings and a provision for estimated claims related to Hurricane Ian of $128 million in 2022.
- For the twelve months ended December 31, 2023, net earnings per common share decreased 24% to $2.94 compared to the previous year. Market experience relative to expectations decreased by $837 million to negative $307 million compared to 2022, primarily due to large interest rate increases in 2022 which had a significant positive impact. 2023 results also included net business transformation charges and realized losses on the sale of surplus assets measured at fair value through other comprehensive income, primarily in the Europe and U.S. segments.
- For the twelve months ended December 31, 2023, Lifeco's combined quarterly dividends paid to common shareholders increased by 6% to $2.08 per share.
- The Company maintained its strong capital position as evidenced by a Life Insurance Capital Adequacy Test (LICAT) Ratio at December 31, 2023 of 128% for Canada Life, Lifeco's major operating subsidiary, which exceeded the OSFI Supervisory Target Total Ratio of 100%, and Supervisory Minimum Total Ratio of 90%. In conjunction with the transition to IFRS 17 and IFRS 9, the Company made certain asset liability matching (ALM) and accounting policy choices to increase the stability of regulatory capital. As a result, Canada Life's LICAT ratio demonstrated increased stability throughout 2023.
- The Company's financial leverage ratio at December 31, 2023 was 30% compared to 33% in the previous year. This reduction is due to an increase in equity and the repayment of a temporary US$500 million increase in short-term debt financing used to fund the acquisition of the retirement services business of Prudential as well as the repayment of the principal amount of its maturing 2.50% €500 million senior bonds, together with accrued interest.

Medium-Term Financial Objectives

The Company measures performance against its medium-term financial objectives, with medium-term defined as 3 to 5 years. The Company aims to create value through disciplined capital deployment to achieve, over the medium-term, 8-10% base EPS growth per annum, 16-17% base return on equity (ROE) and to deliver strong cash generation.

The Company has also stated its objective to achieve base earnings growth in Empower of 15-20% in 2024.

Medium-Term Financial Objectives	1-Year Base[1]	5-Year Base[1,2]
8-10% base EPS growth per annum[1]	11%	11% CAGR
16-17% base ROE (IFRS 17)[1,3]	17%	16% average[3]
Target dividend payout ratio 45-55% of base earnings[1]	53%	56% average

[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] 2018 base earnings were calculated by excluding items from net earnings as discussed in the "Non-GAAP Financial Measures and Ratios" section of the Company's Q4 2023 MD&A. In addition, the Company excluded earnings related to the business transferred to Protective Life under an indemnity reinsurance agreement in 2019 to provide a more accurate comparison for the 5-year growth rate. 2018 base earnings were $2,380 million and base earnings per share was $2.41 compared to net earnings of $2,961 million and net earnings per share of $3.00. Items excluded from 2018 base earnings included a positive impact on actuarial assumption changes and management actions of $616 million, a positive impact on market-related impacts on liabilities of $29 million, restructuring costs of $56 million, a legal accrual of $13 million, a net benefit on tax legislative impacts of $5 million and $135 million of earnings related to the business transferred to Protective Life. For purposes of calculating the 5-year growth rate for base EPS under IFRS 17, amortization of acquisition related finite life intangible assets of $41 million after-tax was added back to 2018 base earnings. With this adjustment, 2018 base earnings were $2,286 million and base EPS of $2.31.

[3] This is the 2-year average base ROE under IFRS 17. The 3-year average base ROE under IFRS 4 is 14%. The prior base ROE medium-term objective was 14% - 15% under IFRS 4.

2023 Developments

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.

Strategic Highlights and Transactions

The Company announced the following strategic business actions to add scale, grow and extend the Company's businesses.

United States

- Subsequent to December 31, 2023, on January 1, 2024, Lifeco completed the previously announced sale of Putnam Investments to Franklin Resources, Inc., operating as "Franklin Templeton", in exchange for Franklin Templeton common shares, cash, and other deferred and contingent consideration. The transaction is not expected to have a material financial impact for Lifeco at close and will be reflected in the first quarter 2024 results. Lifeco will retain its controlling interest in PanAgora Asset Management, a leading quantitative asset manager, and has agreed to retain shares representing approximately 4.9% of outstanding Franklin Templeton stock for a minimum 5-year period.

In addition to the sale, Lifeco, along with Power Corporation of Canada and Franklin Templeton, has entered into a strategic partnership to distribute Franklin Templeton products. Lifeco will provide an initial long-term asset allocation of US$25 billion assets under management[1] to Franklin Templeton within 12 months of closing with the potential for that amount to increase over the next several years.

- 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.

Canada

- On November 30, 2023, Canada Life completed the previously announced acquisition of 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 is one of the largest non-bank wealth management providers in Canada. Canada Life acquired IPC for a total purchase consideration of $585 million. Transaction and integration costs of $25 million pre-tax are expected over the 18 months following the closing of the acquisition. IGM is an affiliated company and a member of the Power Corporation group of companies.

- On September 8, 2023, Canada Life completed the previously announced acquisition of Value Partners Group Inc. (Value Partners), bringing complementary capabilities that will further extend wealth offerings for advisors and their clients. This acquisition accelerates Canada Life's strategy of building a leading wealth management platform for independent advisors and was financed with existing resources and did not have a material impact on Canada Life's financial position.

- With the acquisitions of Value Partners and IPC, Canada Life is accelerating its vision to establish a leadership position in the Canadian independent advisor wealth market in Canada with more than 4,000 advisor relationships and $102 billion in assets under administration.

Europe

- During the fourth quarter of 2023, the Company undertook several strategic actions to help strengthen its market positions in Europe and enhance the outlook for 2024. The one-time financial impacts of these actions were excluded from base earnings:
  - Following the successful launch of the Company's joint venture, AIB Life in 2023, Irish Life completed the sale to AIB Life of a portfolio of policies previously written under our pre-existing distribution agreement with Allied Irish Banks, p.l.c. (AIB). The transaction resulted in a net gain of $118 million ($127 million of which was recorded in the fourth quarter of 2023). The sale of this portfolio of policies adds to the scale of AIB Life and accelerates the timeline to profitability.
  - The Company recorded provisions of $159 million related to the write-off of intangible assets related to certain information technology systems as well as provisions for staff reductions starting in 2024. The write-off of intangible assets and the provision for staff reductions arose from the following business decisions and activities:
    - Subsequent to December 31, 2023, in the first quarter of 2024, the Company announced its decision to close to new business the Company's U.K. on-shore wealth business.
    - The restructuring provision will support the German business with the implementation of its strategy to create growth through product diversification and an efficiency program leveraging the new administration platform and increased automation using artificial intelligence technologies.
    - The continued implementation of the Company's "one Irish Life" strategy including the build out of digital customer technologies and increased automation in Ireland.
  - An inforce block of U.K. annuity business was reinsured externally on attractive terms, supporting capital efficiency and capacity in this business line. This transaction increases the capacity for new U.K. annuity business in the buoyant U.K. market where $991 million in business was written in the second half of 2023 and strengthened the Company's position for 2024. The reinsurance transaction resulted in a net gain of $110 million and added approximately one and a half points to Canada Life's LICAT ratio.

- During the first quarter of 2023, Irish Life combined its Irish brands: Invesco Limited, Acumen & Trust and APT Wealth Management under a single wealth management umbrella. The new firm, Unio, brings together three advisory firms into one firm with a common advisory and investment proposition for clients. The new company provides expert advice for thousands of individuals in the Irish market who are currently either under-advised, or need assistance in managing 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 May 16, 2023, Canada Life U.K. announced an agreement to sell its individual onshore protection business to Countrywide Assured plc (Countrywide), a subsidiary of Chesnara plc. Approximately 47,000 customer policies will transfer to Countrywide in 2024, subject to the completion of a court-approved transfer. This follows the Canada Life U.K. announcement that it closed onshore individual protection insurance to new business in November 2022.

Capital and Risk Solutions

- The Capital and Risk Solutions segment continued to grow by providing tailored solutions to customers while increasing diversification within the portfolio. In 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, including two transactions in Italy and client base expansion in Asia.

[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.

Capital Transactions

- The Company's leverage ratio of 30% has decreased by 3 points compared to 33% at December 31, 2022. This reduction in leverage aligns with Management's expectation and is a result of the repayment of short-term debt financing used to fund the acquisition of the retirement services business of Prudential, as described below. On April 18, 2023, the Company repaid the principal amount of its maturing 2.50% €500 million senior bonds, together with accrued interest which had been pre-financed by the issuance of €500 million senior 4.7% euro bond on November 16, 2022.
- Great-West Lifeco U.S. LLC, a subsidiary of the Company, made payments on its non-revolving credit facility of US$150 million on March 31, 2023, US$150 million on June 30, 2023, US$100 million on September 29, 2023 and US$100 million on December 29, 2023. The remaining drawn balance was nil as at December 31, 2023.

IFRS 17 and IFRS 9

- The Company has adopted IFRS 17, *Insurance Contracts* (IFRS 17) replacing IFRS 4, *Insurance Contracts* (IFRS 4) effective January 1, 2023. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts. Under IFRS 17, groups of contracts are measured as 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). 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 restated 2022 comparative results to reflect the adoption of IFRS 17.

  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. 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.

  The new reporting regime provides improved visibility as to the strong underlying economics and diversification of Lifeco's portfolio through enhanced disclosures and metrics. Refer to the "Transition to IFRS 17 and IFRS 9" section of this document for additional details.

Sustainability

- In November 2021, Lifeco announced its ambition to achieve net zero greenhouse gas (GHG) emissions by 2050 for both operations and investments. During the fourth quarter of 2023, Lifeco published 'Advancing Inclusive Growth: Impact, Inclusion, and Citizenship', a report on the Company's efforts related to impact, inclusion and citizenship. This report provides an update on the inclusion goals set by the Company as well as net zero interim goals for operations and investments[2]. These goals are aspirational and may need to change or be recalibrated. See "Important Note Regarding Sustainability Disclosure".

  The report set out the following interim goals[3] for 2030: (i) 40% reduction in carbon emissions for the Company's operations, (ii) 37% reduction in carbon footprint[4] for the Company's invested asset portfolio[5], (iii) 50% representation of women in management roles by 2030, and (iv) 25% representation of underrepresented groups in management roles.

Macroenvironmental Risks

Many factors contribute to the economic uncertainty in the geographies in which the Company operates and to the elevated volatility of global financial markets. The environment is displaying elevated levels of inflation and tighter financial conditions, and there have been increased liquidity concerns with respect to certain U.S. and European banks. Elevated global financial market volatility is due, in part, to certain geopolitical conflicts, which the Company actively monitors. 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 2023, commercial real estate markets in Europe and North America showed signs of slowdown. In particular, the office markets are experiencing 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. Along with higher interest rates, this has resulted in valuation reductions for certain investment properties and indirectly for certain commercial mortgages 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.

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[2] The Company's investments goals have been established to reflect the reductions that Lifeco's investee companies would need to make, to follow the pathways established by the International Energy Agency to limit global warming to 1.5 degrees Celsius.

[3] Interim goals are based on a 2019 baseline year for both operations and investments.

[4] Carbon footprint is measured per million dollars invested (tCO2e/$m invested).

[5] The Company's overall goal for its invested asset portfolio (in-scope assets) is built on sub-asset class goals including reductions in carbon footprint for listed corporate bonds of 38%, listed equities of 31% and commercial real estate of 43%. Sub-asset class goals are indicative of the relative opportunity within each sub-asset class. Actual progress will be measured in aggregate against the overall 37% goal across all in-scope asset classes combined. The following asset classes are out-of-scope and excluded from the 37% goal: mortgages, sovereign debt, private debt and equity, and scope 3 emissions of issuers.

Outlook for 2024

Refer to Cautionary Note regarding Forward-looking Information and Cautionary Note regarding Non-GAAP Financial Measures and Ratios at the beginning of this document.

- Interest rate hikes in Canada, the U.S., the U.K. and broader Europe have moderated economic growth and reduced inflation in the latter half of 2023. In Canada and the U.S., economic growth is expected to be slightly lower in 2024 as compared to 2023. This is expected to exert downward pressure on inflation, albeit, inflation is expected to remain above domestic targets. This is likely to delay the anticipated gradual reduction of policy rates until the second half of 2024 as the central banks balance between reducing inflation and staving off recession. In the U.K., economic growth is expected to be slightly positive in 2024. Furthermore, inflation is expected to fall to the Bank of England's 2% target by the middle of 2024. Accordingly, economists are forecasting a gradual reduction of the Bank Rate beginning mid 2024. In Europe, economic growth is expected to also be slightly positive in 2024. However, euro area inflation is expected to remain high and economists are not forecasting a reduction in policy rates in 2024 unless the economy does begin to contract.

  While the market expectation is for short term interest rates to decline in 2024 in Canada, the U.S. and the U.K., medium and long term interest rates are expected to remain relatively constant. Asset credit spreads are currently at the tightest level since 2010, however, there are many risks, as discussed in the Macroenvironmental Risk section, that could result in widening credit spreads.

- Lifeco is continuing to focus on its core strategies: delivering financial security and wellness through the workplace, providing advice-centered wealth management, delivering strong investment and asset management and leveraging risk and capital management expertise. The Company intends to invest strategically, both organically and through acquisitions, to drive growth and productivity, while maintaining strong risk and expense discipline, to deliver sustainable long-term value to its customers and shareholders.

- In Canada, the Company will continue to leverage the strength of the Canada Life brand to develop innovative products and services and broaden and deepen its distribution channels to better serve its customers. Specifically, the Workplace Solutions business plans to enhance its competitive position by focusing on improving its operational resilience, enhancing its productivity as well as its customer and employee experience by making further investments in digitalization. As the Company was awarded the Public Service Dental Care Plan (PSDCP), it will continue to build additional capabilities that can be leveraged by the rest of the business. In its Individual Wealth Management business, the Company will build upon the capabilities acquired through its recent acquisitions of IPC and Value Partners and strengthen the value propositions for advisors in all channels. The Insurance & Annuities business will continue to advance on business strategies of balancing growth through the offering of a comprehensive range of individual insurance products with disciplined pricing and risk selection. Operational expense management will continue to be critically important for the Canada segment to deliver strong financial results.

- In the U.S., the Company is positioned for significant growth opportunities utilizing the strength of the Empower brand. Through its defined contribution business, Empower has added significant expertise, a broader set of capabilities and an expanded product portfolio. Empower is the fastest growing company in the workplace retirement market and aims to leverage this strong market position in 2024 and beyond. Empower will continue to invest in product differentiation and offer a best-in-class service model to drive sales growth. In the first half of 2024, Empower anticipates the completion of the integration of the Prudential Financial, Inc. (Prudential) business acquired in 2022, resulting in additional cost synergies. Empower Personal Wealth, which was launched in the first quarter of 2023, will continue to serve its existing customers and stimulate growth through a focus on advice and digital tools. It will continue to develop and offer a broad range of product solutions that leverage the Empower Personal Dashboard to offer customized wealth solutions to an expanding customer base.

- In Europe, after a number of strategic actions taken in 2023 to reposition its portfolio, the Company is focusing on maintaining or growing its market positions and relationships with institutional partners while investing in customer service systems and digitalization. In its Workplace Solutions business, the U.K. group protection business enters 2024 in a leading market position with ongoing product and customer service innovation and expects to drive continued growth in premium income. Through the Irish Life brand, the Company will focus on developing a fully integrated corporate engagement strategy to maximize the effectiveness of strong corporate relationships, ensure the Company maintains its best-in-class pension, risk and health propositions and continue the journey of integrating its wealth and employee benefits consulting businesses. In the Individual Wealth & Asset Management business, the Company will focus on the growth of its new wealth brand, Unio, while maintaining its leading positions in asset management in the areas of sustainability and product innovation. Furthermore, the Company expects to maintain its position as a key player in the single premium offshore investment bond marketplace, focusing on distribution through its financial advisors and maintaining its relationships with institutional partners. In its Insurance & Annuities business, the Company will focus on maintaining its share of the retail payout annuities market while investing in customer service systems and will further develop its presence in the bulk annuity market where trustees of defined benefit schemes want to remove risk by insuring pension liabilities.

- In Capital and Risk Solutions, the Reinsurance business unit will continue to help its clients and other affiliated companies meet capital challenges through innovative reinsurance solutions. Demand for structured reinsurance remains strong and will remain a focus for 2024. Internationally, Canada Life will continue to explore opportunities for measured expansion into new markets where the Company's innovative reinsurance solutions can be deployed to support clients' evolving needs.

- In December 2021, the Organization for Economic Co-operation and Development (OECD) published the Pillar Two model rules outlining a structure for a new 15% global minimum tax regime to apply to large multi-national enterprises, which will include the Company. A number of countries where the Company operates, including Canada, Barbados, Ireland, Germany and the U.K., have enacted legislation or are expected to enact legislation with an effective date of January 1, 2024. Based on a preliminary assessment, the Company expects an increase in its effective income tax rate on base earnings in the 2-4% range and for the legislation to mainly impact the Europe and Capital and Risk Solutions segments. Refer to the Taxes section for further details.

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 PanAgora Asset Management, together with Lifeco's Corporate operating results. Net earnings also include the earnings from Putnam Investments reported as discontinued operations.

With the adoption of IFRS 17, the Company refined the definition of base earnings (loss) in the first quarter of 2023 with application to 2022 comparative results for an updated representation of the Company's underlying business performance, as well as to enhance consistency and comparability with financial services industry peers.

	For the three months ended			For the twelve months ended	
	Dec. 31 2023	Sept. 30 2023	Dec. 31 2022 (Restated)	**Dec. 31 2023**	Dec. 31 2022 (Restated)
Base earnings (loss)[1,4]					
Canada	$ 301	$ 296	$ 260	$ 1,158	$ 1,164
United States[4]	261	262	215	1,006	737
Europe	213	206	256	777	845
Capital and Risk Solutions	236	198	181	794	598
Lifeco Corporate	(40)	(12)	(18)	(68)	(26)
Lifeco base earnings[1,4]	$ 971	$ 950	$ 894	$ 3,667	$ 3,318
Items excluded from base earnings					
Market experience relative to expectations[2]	$ (213)	$ 153	$ (386)	$ (307)	$ 530
Realized OCI gains / (losses) from asset rebalancing	—	—	—	(121)	—
Assumption changes and management actions[2,5]	83	(106)	(5)	(20)	47
Other non-market related impacts[3,5]	(98)	(61)	(25)	(357)	(267)
Items excluded from Lifeco base earnings	$ (228)	$ (14)	$ (416)	$ (805)	$ 310
Net earnings (loss) from continuing operations[2]					
Canada	$ 166	$ 414	$ 352	$ 961	$ 1,431
United States[2]	194	244	168	769	464
Europe	217	25	(25)	384	1,202
Capital and Risk Solutions	215	265	3	833	542
Lifeco Corporate	(49)	(12)	(20)	(85)	(11)
Lifeco net earnings from continuing operations[2]	$ 743	$ 936	$ 478	$ 2,862	$ 3,628
Net earnings (loss) from discontinued operations[4]	(3)	(31)	(26)	(124)	(32)
Lifeco net earnings - common shareholders	$ 740	$ 905	$ 452	$ 2,738	$ 3,596

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 Included in other non-market related impacts are business transformation impacts (including restructuring and integration costs as well as acquisition and divestiture costs), amortization of acquisition-related intangible assets and tax legislative changes impacts.

4 Comparative results are restated to exclude discontinued operations related to Putnam Investments.

5 Following internal reviews, the mapping of certain assumption changes and management actions and business transformation impacts has been modified to reflect current presentation and comparative results for the periods ended December 31, 2022 have been restated, as applicable.

Base Earnings

Base earnings for the fourth quarter of 2023 of $971 million ($1.04 per common share) increased by $77 million or 9% from $894 million ($0.96 per common share) a year ago. The increase was primarily due to strong group disability results driven by improved morbidity experience and management pricing actions and higher earnings on surplus in the Canada segment, an increase in fee and other income due to organic growth in the U.S. segment and new business growth and net favourable experience in the Capital and Risk Solutions segment. These items were partially offset by higher taxes and by lower investment earnings driven by the impact of trading activity in the prior year that did not re-occur in the Europe segment.

For the twelve months ended December 31, 2023, Lifeco's base earnings were $3,667 million ($3.94 per common share) compared to $3,318 million ($3.56 per common share) a year ago. The 11% increase was primarily due an additional quarter of Prudential-related earnings in the U.S. segment and a provision for estimated claims related to Hurricane Ian of $128 million in 2022, as well as the same reasons discussed for the in-quarter results.

Net Earnings

Lifeco's net earnings from continuing operations for the three month period ended December 31, 2023 of $743 million ($0.80 per common share) increased by $265 million or 55% compared to $478 million ($0.51 per common share) a year ago. The increase was primarily due to a $127 million net gain on a sale of a portfolio of policies to AIB Life and a $110 million net gain from the recapture impact on a reinsured block of inforce annuities in the Europe segment, more favourable market experience relative to expectations in the Europe and Capital and Risk Solutions segments, and an increase in base earnings. These items were partially offset by unfavourable market value impacts in Canada driven primarily by a decrease in long-term interest rates. The results from discontinued operations were a net loss of $3 million compared to a net loss of $26 million a year ago.

For the twelve months ended December 31, 2023, Lifeco's net earnings from continuing operations were $2,862 million ($2.94 per common share) compared to $3,628 million ($3.89 per common share) a year ago. In conjunction with the transition to IFRS 17, the Company made ALM and accounting policy choices to increase the stability of regulatory capital. As a result, a certain amount of additional net earnings sensitivity was accepted in order to balance LICAT capital sensitivity, resulting in more stable capital positions. Over the time frame since transition, cumulative fluctuations in net earnings from continuing operations driven by market experience relative to expectations have been modest and regulatory capital has experienced increased stability, consistent with Management's expectations. For additional information, refer to the "Transition to IFRS 17 and IFRS 9" section of this document. The 21% decrease was primarily due to market experience relative to expectations of negative $307 million, a decrease of $837 million compared to last year, due to large increases in interest rates in 2022 which had a significant positive earnings impact. In addition, there were realized losses on the sale of surplus assets measured at fair value through other comprehensive income (FVOCI) to improve regulatory capital positioning in the Europe segment. These items were partially offset by an increase in base earnings, the net gain on sale to AIB Life and the inforce annuity reinsurance recapture as discussed for the in-quarter results. The results from discontinued operations were a net loss of $124 million compared to a net loss of $32 million a year ago predominantly due to transaction costs.

Lifeco's net earnings from continuing operations for the three month period ended December 31, 2023 of $743 million ($0.80 per common share) decreased by $193 million or 21% compared to $936 million ($1.01 per common share) in the previous quarter. The decrease was primarily due to unfavourable market experience relative to expectations in the Canada and Capital and Risk Solutions segments as well as provisions for restructuring costs in the Europe segment. These items were partially offset by the net gain on sale to AIB Life and the inforce annuity reinsurance recapture as discussed above as well as an increase in base earnings. The results from discontinued operations were a net loss of $3 million compared to $31 million in the previous quarter.

Items Excluded from Base Earnings

Market Experience Relative to Expectations

	For the three months ended			For the twelve months ended	
	Dec. 31 2023	Sept. 30 2023	Dec. 31 2022 (Restated)	**Dec. 31 2023**	Dec. 31 2022 (Restated)
Public equity market impacts	$ 27	$ (15)	$ 20	$ 14	$ (83)
Real estate and other non-fixed income asset impacts	(62)	(129)	(298)	(371)	(223)
Interest rate and other impacts	(178)	297	(108)	50	836
Total market experience relative to expectations	$ (213)	$ 153	$ (386)	$ (307)	$ 530

Market experience relative to expectations, which are reflected in the net investment result of the Company's consolidated statement of earnings, negatively impacted net earnings by $213 million in the fourth quarter of 2023 (negative impact of $386 million in the fourth quarter of 2022). In-quarter impacts reflect interest rate movements including spread movements, lower returns than expected on real estate assets, partially offset by higher returns on public equities. The negative interest rate and spread movement impacts primarily arose from liabilities increasing by more than their supporting assets in the Canada, Europe, and Capital and Risk Solutions segments. The lower returns than expected on real estate and other non-fixed income assets arose on real estate assets in the U.K. and Canada. The higher returns on public equities were primarily from assets held in Canada.

For the twelve months ended December 31, 2023, market experience relative to expectations negatively impacted net earnings by $307 million (positive impact of $530 million year-to-date in 2022). The 2023 year-to-date negative impact was primarily due to lower returns than expected on real estate assets.

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, due to the Company's asset liability management strategies and accounting policy choices. These choices include consideration of the impact on regulatory capital, which can result in increased net earnings sensitivity, but decreased capital sensitivity. For example, 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; and 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. These exposures are designed to help offset interest rate sensitivity and volatility in the LICAT capital calculation, resulting in decreased capital sensitivity. Furthermore, sensitivities to interest rate movements vary depending upon the geography where the changes occur and the level of change in interest rates by term.

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 "Risk Management", note 7 to the Company's annual consolidated financial statements for the period ended December 31, 2023.

Assumption Changes and Management Actions

Under IFRS 17, assumption changes on insurance risks and certain management actions directly impact CSM, for contracts which have CSM. The impact of assumption changes and certain management actions on CSM are measured at locked-in rates, for contracts measured under the General Measurement Model, whereas the overall impact is measured at fair value, resulting in a potential net earnings impact.

The fair value impact of CSM assumption changes included in earnings is a second-order impact which captures the present value difference between the impact of assumption changes measured at prevailing discount rates and locked-in discount rates (used to determine impacts on CSM). In general, prevailing discount rates are currently higher than locked-in rates for the Company's insurance contracts. Therefore, a favourable change in assumptions on insurance risks, which increases CSM, also results in a negative earnings impact in period due to the fair value impact.

Net earnings impacts arise from the fair value impact of assumption changes impacting CSM, as well as assumption changes on financial risks on certain products and assumption changes on insurance risks on contracts which do not have CSM (including short-term insurance contracts).

For the three months ended December 31, 2023, assumption changes and management actions resulted in a positive net earnings impact of $83 million and a decrease in CSM of $200 million on non-participating business. Most of these impacts arise from management actions relating to reinsurance transactions on in force business executed in the fourth quarter of 2023, which resulted in a positive net earnings impact of $94 million and a decrease in CSM of $163 million.

In the Europe segment, net earnings were positively impacted by $100 million and CSM was positively impacted by $85 million, primarily due to the reinsurance of U.K. annuity business to a third party. In the US segment, there was a decrease in CSM of $289 million due to reinsurance of a block of a segregated fund business with guarantees (GMWB) to a third party. In the Canada segment, net earnings were negatively impacted by $17 million and the CSM was positively impacted by $4 million, which reflects impacts arising from a recapture of reinsurance in mortality risk of positive $48 million, and assumption updates on individual segregated fund business of negative $44 million.

For the twelve months ended December 31, 2023, assumption changes and management actions resulted in a negative net earnings impact of $20 million. Additionally, assumption changes and management actions resulted in a decrease of $34 million in CSM on non-participating business.

Other Items Excluded from Base Earnings

For the fourth quarter of 2023, other items excluded from base earnings were negative $98 million compared to negative $25 million a year ago. Business transformation costs were $67 million, an increase of $6 million compared to the same period in the prior year. The increase was primarily due to higher restructuring provisions in the Europe segment, partially offset by lower restructuring and integration costs in the U.S. segment following the completion of the MassMutual and Personal Capital integrations in 2022. The increase was also driven by higher intangible asset impairments in the U.S. and Europe segments. The impact of these items was partially offset by the sale of a portfolio of policies to AIB Life which resulted in a net gain of $127 million ($118 million year-to-date) in the Europe segment. A positive $63 million one-time impact for a change in the Canadian statutory income tax rate was excluded from base earnings in the fourth quarter of 2022. The results from discontinued operations were a loss of $3 million compared to a loss of $26 million for the same quarter last year.

For the twelve months ended December 31, 2023, other items excluded from base earnings had a more negative impact compared to the same period last year, primarily due to the realized OCI losses related to asset rebalancing to shorter duration assets to improve capital during the second quarter of 2023 in the Europe segment, a provision recorded in the second quarter of 2023 related to Empower's sale of its individual life and annuity business in 2019 in the U.S. segment as well as the same reasons discussed for the in-quarter results.

Foreign Currency

The average currency translation rate for the fourth quarter of 2023 increased for the euro and the British pound, while the U.S. dollar was flat compared to the fourth quarter of 2022. For the three months ended December 31, 2023, the overall impact of currency movement on the Company's base earnings was an increase of $19 million (increase of $94 million year-to-date) compared to translation rates a year ago. The overall impact of currency movement on the Company's net earnings was an increase of $22 million (increase of $72 million year-to-date) compared to translation rates a year ago.

From September 30, 2023 to December 31, 2023, the market rates at the end of the reporting period used to translate the euro and the British pound assets and liabilities to the Canadian dollar increased, while the U.S. dollar decreased. 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 losses of $89 million in-quarter ($89 million net unrealized loss year-to-date) recorded in other comprehensive income.

Translation rates for the reporting period and comparative periods are detailed in the "Translation of Foreign Currency" section.

Statement of Earnings

The following discussion sections reflect the statement of earnings presentation under IFRS 17 which provides a view of profit from earnings sources before taxes. 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, wealth management and asset management are presented through other income and expenses.

Insurance Service Result

Insurance service result depicts the profit earned from providing insurance coverage, including certain segregated fund products (primarily individual products with guarantees), 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 (pre-tax)

	For the three months ended			For the twelve months ended	
	Dec. 31 2023	Sept. 30 2023	Dec. 31 2022	**Dec. 31 2023**	Dec. 31 2022
Canada	$ 370	$ 373	$ 305	$ 1,367	$ 1,314
United States	18	13	16	55	43
Europe	242	211	164	813	686
Capital and Risk Solutions	224	189	189	775	681
Base earnings - insurance service result	$ 854	$ 786	$ 674	$ 3,010	$ 2,724
Items excluded from base earnings	1	(38)	(9)	(80)	(16)
Participating account	35	40	33	151	121
Net earnings - insurance service result	$ 890	$ 788	$ 698	$ 3,081	$ 2,829

Base earnings insurance service result for the fourth quarter of 2023 of $854 million increased by $180 million or 27% compared to the fourth quarter of 2022. The increase was primarily due to experience on certain structured transactions and favourable claims developments related to prior year catastrophe losses in the Capital and Risk Solutions segment as well as higher earnings on short-term insurance contracts in the Canada and Europe segments. The increase was partially offset by unfavourable claims experience in the U.S. life business and unfavourable experience on certain structured transactions in the Capital and Risk Solutions segment and lower CSM recognized for services provided in the Canada segment.

For the twelve months ended December 31, 2023, base earnings insurance service result of $3,010 million increased by $286 million or 10% compared to the same period in 2022. The increase was primarily due to favourable group protection experience and the non-recurrence of unfavourable morbidity experience from the prior year in the Europe segment, strong group life and health earnings in the Canada segment as well as the same reasons discussed for the in-quarter results. The increase was partially offset by the same reasons discussed for the in-quarter results.

Net Investment Result

Net investment result shows the relationship between net investment income earned from managing the Company's financial assets and the impact of insurance finance income or expenses, including the effects of discount rates and other financial variables on valuing the Company's insurance contract liabilities. Base earnings - net investment result represents: (i) the difference between management's expected return on assets backing insurance contract liabilities and the unwinding of discount rates used to measure corresponding insurance contract liabilities, (ii) the impact of credit experience arising from upgrades, downgrades and impairments on assets held to back insurance contract liabilities and changes in expected credit losses on assets supporting surplus, (iii) the impact of trading activity on fixed income asset portfolios supporting liabilities, and (iv) expected investment income on surplus assets net of associated investment expenses.

Net investment result (pre-tax)

	For the three months ended			For the twelve months ended	
	Dec. 31 2023	Sept. 30 2023	Dec. 31 2022	**Dec. 31 2023**	Dec. 31 2022
Canada	$ 79	$ 62	$ 39	$ 287	$ 166
United States[1]	1	47	31	95	91
Europe	91	76	168	391	492
Capital and Risk Solutions	34	28	18	108	31
Lifeco Corporate	7	9	8	33	36
Base earnings - net investment result[1]	$ 212	$ 222	$ 264	$ 914	$ 816
Items excluded from base earnings	(256)	104	(405)	(616)	872
Spread income	332	322	366	1,317	1,116
Participating account	(23)	2	(162)	(82)	(198)
Net earnings - net investment result	$ 265	$ 650	$ 63	$ 1,533	$ 2,606

1 Comparative results are restated to exclude net investment result from discontinued operations related to Putnam Investments.

Base earnings net investment result in the fourth quarter of 2023 decreased by $52 million compared to the same quarter last year, primarily due to credit-related impairments of commercial mortgage loans in the U.S. segment and the favourable impact of trading activity in the Europe segment in the prior year that did not repeat. These items were partially offset by the favourable impact of trading activity in the Canada segment and higher earnings on surplus income in the Canada and Europe segments.

For the twelve months ended December 31, 2023, base earnings net investment result increased by $98 million compared to the same period last year, primarily due to higher earnings on surplus in all segments, partially offset by less favourable impacts on liabilities compared to their supporting assets driven by a rise in interest rates, lower equity release mortgage origination fees and the favourable impact of trading activity in the Europe segment in the prior year that did not repeat.

Credit Markets

Credit experience impacts on net earnings can arise from:

- upgrades, downgrades and impairments on fixed income assets measured at fair value through profit and loss (FVTPL), which support insurance contract liabilities;
- impairments on assets measured at FVTPL, which support general account investment products; and
- the change in expected credit losses on assets measured at fair value through other comprehensive income (FVOCI) and amortized cost.

Credit markets impact on common shareholders' net earnings (pre-tax)

	For the three months ended			For the twelve months ended	
	Dec. 31 2023	Sept. 30 2023	Dec. 31 2022	**Dec. 31 2023**	Dec. 31 2022
Canada	$ —	$ (4)	$ 1	$ (2)	$ 4
United States	(48)	—	(17)	(65)	(17)
Europe	2	(18)	1	(16)	(11)
Capital and Risk Solutions	(1)	—	—	(1)	(1)
Total	$ (47)	$ (22)	$ (15)	$ (84)	$ (25)

In the fourth quarter of 2023, the Company experienced net negative $47 million of credit-related experience in net investment result (net negative impact of $15 million in the fourth quarter of 2022), primarily due to credit charges on mortgage loans in the U.S. segment.

For the twelve months ended December 31, 2023, the Company experienced net negative $84 million of credit-related experience in net investment result (net negative impact of $25 million in 2022), primarily due to credit charges on mortgage loans and bonds in the U.S. segment as well as the net remeasurement of allowance for expected credit losses on mortgage loans in the Europe segment.

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 certain segregated funds (investment contracts) 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 (pre-tax)[1]

	For the three months ended			For the twelve months ended	
	Dec. 31 2023	Sept. 30 2023	Dec. 31 2022 (Restated)	**Dec. 31 2023**	Dec. 31 2022 (Restated)
Canada	$ 383	$ 328	$ 313	$ 1,377	$ 1,212
United States[1]	970	928	887	3,706	3,225
Europe	201	190	168	771	714
Capital and Risk Solutions	4	4	4	14	7
Base earnings - fee and other income[1]	$ 1,558	$ 1,450	$ 1,372	$ 5,868	$ 5,158
Items excluded from base earnings	—	—	—	6	—
Net earnings - fee and other income	$ 1,558	$ 1,450	$ 1,372	$ 5,874	$ 5,158

[1] Comparative results are restated to exclude fee and other income from discontinued operations related to Putnam Investments.

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 (pre-tax)[1]

	For the three months ended			For the twelve months ended	
	Dec. 31 2023	Sept. 30 2023	Dec. 31 2022 (Restated)	**Dec. 31 2023**	Dec. 31 2022 (Restated)
Operating and administrative expenses					
Insurance service operating and administrative expenses[2]	$ 408	$ 395	$ 359	$ 1,656	$ 1,638
Other operating and administrative expenses - base	1,685	1,519	1,531	6,234	5,545
Other operating and administrative expenses - excluded from base[3]	95	3	30	168	59
Total operating and administrative expenses	$ 2,188	$ 1,917	$ 1,920	$ 8,058	$ 7,242
Amortization of acquisition-related intangible assets	42	48	36	182	167
Amortization of other finite life intangible assets	37	52	53	184	187
Financing charges	104	103	113	426	393
Restructuring and integration expenses	143	38	43	226	178
Total	$ 2,514	$ 2,158	$ 2,165	$ 9,076	$ 8,167

[1] Prior period results are restated to exclude expenses from discontinued operations related to Putnam Investments.

[2] Excluded from the above table, but included in insurance service expenses for the twelve months ended December 31, 2023, are $14.1 billion ($13.6 billion for the period ended December 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 13 of the Company's annual consolidated financial statements for the period ended December 31, 2023 for additional detail.

[3] Includes the pre-tax impact of acquisition and divestiture costs which are excluded from base earnings.

Expenses for the fourth quarter of 2023 of $2,514 million increased by $349 million compared to the same quarter last year, primarily due to higher operating and administrative expenses driven by onboarding and support of the Canada federal government's PSHCP and the acquisitions of IPC and Value Partners in the Canada segment and increased spend in the U.S. segment to support business growth at Empower. Restructuring and integration expenses were higher compared to the same quarter last year, primarily due to restructuring provisions in the Europe segment.

For the twelve months ended December 31, 2023, expenses increased by $909 million to $9,076 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 the U.S. segment as well as the same reasons discussed in the in-quarter results. Financing charges were higher compared to the same period last year driven primarily by the refinancing of a €500 million euro bond at higher rates in November 2022. Restructuring and integration expenses increased compared to the same period last year, primarily due to the same reasons discussed in the in-quarter results partially offset by lower integration costs related to the MassMutual, Personal Capital and Prudential acquisitions.

Taxes

The Company's effective income tax rate on earnings attributable to common shareholders and total Lifeco earnings are presented below.

	For the three months ended			For the twelve months ended	
	Dec. 31 2023	Sept. 30 2023	Dec. 31 2022[2]	**Dec. 31 2023**	Dec. 31 2022[2]
Base earnings - Common shareholders[1]	15.9 %	12.8 %	9.0 %	13.9 %	9.2 %
Net earnings - Common shareholders	(22.2)%	12.8 %	(2.9)%	4.1 %	11.5 %
Net earnings - Total Lifeco	(28.0)%	12.2 %	(16.6)%	1.7 %	9.7 %

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 and to exclude discontinued operations related to Putnam Investments from 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.

In the fourth quarter of 2023, the effective income tax rate on base earnings for the common shareholders of 15.9% was up from 9.0% in the fourth quarter of 2022, primarily due to changes in certain tax estimates. In the fourth quarter of 2023, the effective income tax rate on net earnings for the common shareholders of negative 22.2% was down from negative 2.9% in the fourth quarter of 2022, primarily due to jurisdictional mix of earnings partially offset by changes in certain tax estimates and the favourable impact in 2022 of the revaluation of deferred tax balances as a result of the increase to the Canadian statutory income tax rate.

In the fourth quarter of 2023, the overall effective income tax rate on net earnings of negative 28.0%, was down from negative 16.6% in the fourth quarter of 2022, primarily due to jurisdictional mix of earnings offset partially by changes in certain tax estimates.

The Company had an effective income tax rate on base earnings for the common shareholders of 13.9% for the twelve months ended December 31, 2023, which was up from 9.2% for the same period last year, primarily due to changes in certain tax estimates. The Company had an effective income tax rate on net earnings for the common shareholders of 4.1%, down from 11.5% for the same period last year, primarily due to jurisdictional mix of earnings.

The Company had an overall effective income tax rate on net earnings of 1.7% for the twelve months ended December 31, 2023 down from 9.7% for the same period last year, primarily due to the same reasons discussed for the year-to-date common shareholders net earnings results.

Refer to note 29 to the Company's annual consolidated financial statements for the period ended December 31, 2023 for further details.

In December 2021, the OECD published the Pillar Two model rules outlining a structure for a new 15% global minimum tax regime. A number of countries where the Company operates, including Ireland, Germany and the U.K., have enacted legislation, and will be effective for the Company's financial year beginning January 1, 2024. Pillar Two draft legislation in Canada and Barbados has not been substantively enacted but when enacted, is expected to be effective for the Company as of January 1, 2024.

The global minimum tax is very complex in nature and will apply to Lifeco as part of a larger related group of companies. The determination of the minimum tax impact will require significant interpretation of each country's new legislation to determine the ultimate tax liability for the group of companies as a whole, which will then be allocated to individual companies within the group, such as Lifeco. Relevant legislation and available guidance continues to be reviewed by the Company to assess the full implications of the Pillar Two minimum tax regime. The Company has performed a preliminary assessment of the Company's potential exposure to Pillar Two income taxes for the year ending on December 31, 2024 and has identified potential exposure in Barbados, Ireland and Isle of Man, jurisdictions where the statutory tax rate is below 15%. Based on this preliminary assessment, the Company expects an increase in the effective income tax rate on base earnings in the 2-4% range.

The Company pays corporate income tax and additional indirect taxes in all jurisdictions where we carry on business. The combination of these taxes totaled approximately $1.3 billion in 2023 and approximately $1.2 billion in 2022 as outlined in the table below.

	For the twelve months ended	
	2023	2022
Indirect taxes		
Premium taxes (net of business ceded)	$ 416	$ 404
Payroll taxes	276	242
Property taxes	86	74
Sales tax (GST/HST/PST/VAT/other)	105	108
Business and other taxes	8	4
Total indirect taxes	$ 891	$ 832
Income taxes paid, net of refunds received	423	348
Total	$ 1,314	$ 1,180

Lifeco Value Drivers

The Company has enhanced its reporting and disclosures to provide greater clarity and transparency into how the Company is creating value for shareholders and growing the business. The Company focuses on three key value drivers for its business: Workplace Solutions, Wealth & Asset Management and Insurance & Risk Solutions.

The following table displays how the various business units in each operating segment align with value drivers at the consolidated Lifeco level.

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[1]			
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[2]	Individual Wealth & Asset Management	
Insurance & Risk Solutions	Insurance & Annuities		Insurance & Annuities	Reinsurance

1 Certain business units have been realigned within operating segments to map consistently to value drivers.

2 Includes results of PanAgora Asset Management which will be retained by the Company subsequent to the sale of Putnam Investments to Franklin Templeton. The transaction closed on January 1, 2024, subsequent to December 31, 2023.

Lifeco Base Earnings by Value Driver

	For the three months ended			For the twelve months ended	
	Dec. 31 2023	Sept. 30 2023	Dec. 31 2022 (Restated)	**Dec. 31 2023**	Dec. 31 2022 (Restated)
Base earnings (loss)[1]					
Workplace Solutions[2]	$ 489	$ 463	$ 357	$ 1,851	$ 1,550
Wealth & Asset Management[3]	144	157	153	539	557
Insurance & Risk Solutions	383	346	462	1,398	1,321
Corporate	(45)	(16)	(78)	(121)	(110)
Lifeco base earnings[1]	$ 971	$ 950	$ 894	$ 3,667	$ 3,318

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 Following internal reviews, the mapping of certain business units to Value Drivers has been modified and comparative results for the periods ended December 31, 2022 have been restated, as applicable.

3 Comparative results for the periods ended December 31, 2022 are restated to exclude net earnings (losses), net cash flows and fee and other income from discontinued operations related to Putnam Investments as well as the re-mapping of certain business units to value drivers in the Europe segment following internal reviews.

The information in the table above is a summary of base earnings by the Company's value drivers. Additional commentary regarding base earnings by value drivers is included, as applicable, in the sections below.

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 Financial Results

	For the three months ended			For the twelve months ended	
	Dec. 31 2023	Sept. 30 2023	Dec. 31 2022 (Restated)	**Dec. 31 2023**	Dec. 31 2022 (Restated)
Base earnings (loss)[1,4]	$ 489	$ 463	$ 357	$ 1,851	$ 1,550
Retirement net cash flows[2,3,4]	12,132	(8,999)	5,344	17,430	43,693
Fee and other income[3,4]	1,089	1,033	1,001	4,208	3,700
Group life and health book premiums[2]	17,258	17,048	14,280		

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 Comparative results for the twelve months ended December 31, 2022 do not include $403.3 billion (US$315.1 billion) in net transfers related to the Prudential acquisition.

4 Following internal reviews, the mapping of certain business units to value drivers has been modified and comparative results for the periods ended December 31, 2022 have been restated, as applicable.

Base earnings

Workplace Solutions base earnings for the fourth quarter of 2023 of $489 million increased by $132 million or 37% compared to the same quarter last year. The increase was primarily due to favourable group protection experience in the Europe segment, strong group disability results driven by improved morbidity experience and management pricing actions in the Canada segment and higher net fee income in Empower Defined Contribution.

For the twelve months ended December 31, 2023, Workplace Solutions base earnings of $1,851 million increased by $301 million or 19% compared to the same period last year. The increase was primarily due to higher contributions from investment experience and an additional quarter of Prudential-related earnings in 2023 in the U.S. segment, increased group life and health earnings driven by strong group disability results and premium growth in the Canada segment as well as the same reasons discussed for the in-quarter results.

Net cash flows

Net cash inflows for the fourth quarter of 2023 of $12.1 billion increased by $6.8 billion compared to the same quarter last year, primarily due to an increase in large plan sales in the U.S. segment and higher group retirement sales in the Canada segment.

For the twelve months ended December 31, 2023, net cash inflows of $17.4 billion decreased by $26.3 billion compared to the same period last year, primarily due to net participant redemptions of assets under administration as well as lower large plan sales in the current year in Empower Defined Contribution.

Fee and other income

Fee and other income for the fourth quarter of 2023 of $1,089 million increased by $88 million compared to the same quarter last year, primarily due to increased participants and higher equity market levels in Empower Defined Contribution, a one-time recognition related to the Prudential integration in the current quarter in the U.S. segment, growth in administrative services only (ASO) fees in the Canada segment and the impact of currency movement.

For the twelve months ended December 31, 2023, fee and other income of $4,208 million increased by $508 million compared to the same period last year, primarily due the same reasons discussed for the in-quarter results as well as an additional quarter of Prudential-related fee income of US$142 million in 2023.

Group life and health book premiums

Group life and health book premiums at December 31, 2023 were $17,258 million, an increase of $210 million compared to September 30, 2023, primarily due to organic growth of in-force business in the Canada and Europe segments.

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 Financial Results

	As at or for the three months ended			For the twelve months ended	
	Dec. 31 2023	Sept. 30 2023	Dec. 31 2022 (Restated)	**Dec. 31 2023**	Dec. 31 2022 (Restated)
Base earnings (loss)[1,3]	$ 144	$ 157	$ 153	$ 539	$ 557
Wealth net cash flows[2,3,4]	3,711	466	3,127	12,316	10,778
Fee and other income[3]	456	407	366	1,619	1,429
CSM, segregated fund products[5]	3,309	3,120	3,269		

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 Comparative results for the periods ended December 31, 2022 are restated to exclude net earnings (losses), net cash flows and fee and other income from discontinued operations related to Putnam Investments as well as the re-mapping of certain business units to value drivers in the Europe segment following internal reviews.

4 Comparative results for the twelve months ended December 31, 2023 do not include $7.8 billion (US$6.1 billion) in net transfers related to the Prudential acquisition.

5 The U.S. segment does not have a material contractual service margin (CSM) balance and has been excluded.

Base earnings

Wealth & Asset Management base earnings for the fourth quarter of 2023 of $144 million decreased by $9 million compared to the same quarter last year. The decrease was primarily due to lower net fee and spread income in the Europe segment, partially offset by increased fees driven by higher average equity markets in Empower Personal Wealth.

For the twelve months ended December 31, 2023, Wealth & Asset Management base earnings of $539 million decreased by $18 million compared to the same period last year. The decrease was primarily due to the same reasons discussed for the in-quarter results.

Net cash flows

Net cash inflows for the fourth quarter of 2023 were $3,711 million compared to net inflows of $3,127 million for the same quarter last year, primarily driven by higher wealth fund management sales in the Europe segment.

For the twelve months ended December 31, 2023, net cash inflows were $12,316 million compared to net inflows of $10,778 million for the same period last year, primarily due to the same reasons discussed for the in-quarter results.

Fee and other income

Fee and other income for the fourth quarter of 2023 of $456 million increased by $90 million compared to the same quarter last year, primarily due to the acquisitions of Value Partners and Investment Planning Counsel in the Canada segment, increased participants and assets under administration due to higher equity market levels and overall growth in the U.S. segment and higher management fees in the Europe segment.

For the twelve months ended December 31, 2023, fee and other income of $1,619 million increased by $190 million compared to the same period last year, primarily due to the same reasons discussed for the in-quarter results.

CSM, segregated fund products

Closing CSM for segregated fund products for the fourth quarter of 2023 of $3,309 million increased by $189 million compared to the third quarter of 2023, primarily due to the impact of market movements.

Closing CSM for segregated fund products for the fourth quarter of 2023 was comparable to the fourth quarter of 2022.

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 Financial Results

	As at or for the three months ended			For the twelve months ended	
	Dec. 31 2023	Sept. 30 2023	Dec. 31 2022 (Restated)	**Dec. 31 2023**	Dec. 31 2022 (Restated)
Base earnings (loss)[1]	$ 383	$ 346	$ 462	$ 1,398	$ 1,321
New business non-participating CSM, excluding segregated fund products[2]	105	124	112	374	368
Non-participating CSM, excluding segregated fund products[2]	6,159	5,988	5,831		

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 The U.S. segment does not have a material contractual service margin (CSM) balance and has been excluded.

Base earnings

Insurance & Risk Solutions base earnings for the fourth quarter of 2023 of $383 million decreased by $79 million compared to the same quarter last year. The decrease was primarily due to unfavourable individual insurance mortality experience in the Canada segment and the unfavourable impact of changes in certain tax estimates, partially offset by growth in the structured business and net favourable claims developments related to previous property catastrophe losses in the Capital and Risk Solutions segment.

For the twelve months ended December 31, 2023, Insurance & Risk Solutions base earnings of $1,398 million increased by $77 million compared to the same period last year. The increase was primarily due growth in the structured business and net favourable claims developments related to previous property catastrophe losses in the Capital and Risk Solutions segment and changes to certain tax estimates in the Europe segment in 2023, partially offset by lower investment earnings in the Europe segment and changes to certain tax estimates in the Canada segment in 2022 that did not repeat. Additionally, 2022 results included a provision for estimated claims related to Hurricane Ian of $128 million.

New business non-participating CSM, excluding segregated fund products

Insurance & Risk Solutions new business non-participating CSM, excluding segregated fund products, for the fourth quarter of 2023 of $105 million was comparable to the same quarter last year.

For the twelve months ended December 31, 2023, new business non-participating CSM, excluding segregated fund products, of $374 million was comparable to the prior year.

Non-participating CSM, excluding segregated fund products

Ending non-participating CSM, excluding segregated fund products, for the fourth quarter of 2023, excluding participating and segregated fund products, of $6,159 million increased by $171 million compared to the third quarter of 2023. The increase was primarily due to the impact of assumption changes and the impact of currency movements, partially offset by organic CSM movement.

Ending non-participating CSM, excluding segregated fund products, for the fourth quarter of 2023, excluding participating and segregated fund products, of $6,159 million increased by $328 million compared to the fourth quarter of 2022. The increase was primarily due to the same reasons discussed for the prior quarter results.

Segmented Operating Results

The segmented 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 (primarily reflected as discontinued operations), 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.

Business Profile

The Canada segment offers a broad suite of products and services through multiple distribution channels aimed at providing advice and product solutions to meet the needs of Canadians at all phases of their lives.

Workplace Solutions

Workplace Solutions includes group life and health benefits, group creditor, and group retirement and investment product lines.

Through its group life and health benefits product lines, the Company offers effective benefit solutions for small, medium and large plan sponsors. The Company offers a wide range of traditional group products and services including life, accidental death and dismemberment, critical illness, disability, health and dental as well as specialty products. Growing the Freedom Experience has been a focus recently as the Company seeks to provide customized solutions to increasingly unique customer needs. The Freedom Experience suite of products allows members to apply for life, health and critical illness products and maintain this coverage even when leaving their employers. These products also serve to close any group health and wealth gaps that members might experience with their current coverage. Products and programs have also been developed to address the needs of mental health in the workplace, high-cost medications and employee wellness. Traditional group products are generally offered on an insured or an administrative services only (ASO) basis, where clients self-insure the products and the Company administers on their behalf. With the acquisition of ClaimSecure, Workplace Solutions' ASO capabilities have been significantly enhanced.

The Company's creditor business offers creditor insurance products through financial institutions. Canada Life is a leader in the creditor insurance business in Canada.

Group retirement and investment product lines include group Registered Retirement Savings Plans (RRSP), defined contribution (DC) pension plans, Tax-Free Savings Accounts (TFSA), Registered Education Savings Plans (RESP), other group retirement income products and institutional investment services. The Company is focused on innovation within its savings and investment product lines.

Through the Company's extensive network of group sales offices located across the country, it distributes its products through brokers, consultants and financial security advisors.

Individual Wealth Management

Individual Wealth Management includes individual wealth savings and income products and services.

The Company is a leader in Canada for wealth management products and services delivered through independent advisors. Segregated fund products are distributed through diverse, complementary channels: Advisor Solutions, managing general agencies (MGAs) and national accounts. Through Financial Horizons Group, the Company participates in the MGA channel, distributing segregated fund products from across the insurance industry. The Company also offers mutual funds and securities accounts through its dealer Quadrus Investment Services, as well as through the recently acquired businesses of Value Partners Group (Value Partners) and Investment Planning Counsel Inc. (IPC), which have broadened the Company's advisor breadth and product suite.

Through its various platforms and distribution channels, the Company is able to provide wealth management advice and product solutions that meet the needs of Canadians across a broad range of affluence levels.

Insurance & Annuities

Insurance & Annuities includes individual life, disability and critical illness insurance products and services, as well as individual life annuities and single premium group annuities.

The Company is a leader in Canada for insurance products and services and utilizes diverse, complementary distribution channels: Advisor Solutions, managing general agencies (MGAs) and national accounts, including IG Wealth Management, a member of the Power Corporation of Canada group of companies. Through Financial Horizons Group, the Company participates in the MGA channel, distributing products from across the insurance industry.

By offering this broad suite of products and services through multiple distribution channels, the Company is able to provide advice and protection as well as estate planning product solutions to meet the needs of Canadians at all phases of their lives.

Market Overview

Workplace Solutions

The Company provides an array of life, health and creditor insurance as well as retirement and investment products that are distributed primarily through group sales offices across the country.

Market Position	Products and Services	Distribution

• Employee benefits to over 27,500 plan sponsors[1]
• 22% market share for employee benefit plans[2]
• Leading market share for creditor products with coverage provided to 6.6 million plan members[1]
• 19% market share of group capital accumulation plans[2]
	Group Life and Health Benefits
	• Life
	• Disability
	• Critical illness
	• Accidental death & dismemberment
	• Dental
	• Expatriate coverage
	• Extended health care
	
	Group Creditor
	• Life
	• Disability
	• Job loss
	• Critical illness
	
	Group Retirement and Investment Services
	• Group capital accumulation plans including:
	  • Defined contribution pension plans
	  • Group RRSPs, RESPs & TFSAs
	  • Deferred profit sharing plans
	  • Non-registered savings programs invested in:
	    • Segregated funds
	    • Guaranteed investment options
	    • Single company stock
	
	• Retirement income plans
	  • Retirement income funds
	  • Life income funds
	
	• Investment management services only plans; invested in:
	  • Segregated funds
	  • Guaranteed investment options
	  • Securities
	
	Specialty Products and Services
	• Individual health, life and critical illness offered through the Freedom Experience
	• Consult+™
	• Teledoc Medical Experts™
	• Contact™
		• Group life and health benefits and group retirement and investment services products and services are distributed through brokers, consultants, third party administrators/payers and financial security advisors. Sales and service support are provided by an integrated team of over 617 employees, located in 21 offices across the country, including 107 account executives.[1]
		• Group creditor products and services are distributed primarily though large financial institutions and serviced through a dedicated sales and service organization.

1 As at December 31, 2023.

2 As at December 31, 2022.

Individual Wealth Management

The Company provides an array of individual wealth management products that are distributed through multiple sales channels.

Market Position	Products and Services	Distribution[3,4]

• An industry leader with 24.6% market share of individual segregated fund assets[1]	**Individual Wealth Management**
	• Savings plans
	  • RRSPs
	  • Non-registered savings programs
	  • TFSAs
	  • RESPs
	Invested in:
	  • Segregated funds
	  • Mutual funds
	  • Guaranteed investment options
	  • Securities (various forms of managed programs)
	
	• Retirement income plans
	  • Retirement income funds
	  • Life income funds
	
	• Residential mortgages[2]
	• Banking products
		Advisor Solutions
		• 4,122 financial security advisors registered with Quadrus Investment Services
		
		Investment Planning Counsel
		• 626 financial security advisors
		
		Value Partners
		• Approximately 75 financial security advisors
		
		Independent Distribution
		• 6,558 independent brokers associated with 31 MGAs[5]
		• 1,155 advisors associated with 14 national accounts
		• 1,452 IG Wealth Management consultants who actively sell Canada Life products
		• 106 direct brokers and producer groups
		
		Financial Horizons Group[5] (Segregated Funds Only)
		• 5,166 independent brokers selling products from across the industry, including Canada Life
		
		Quadrus Investment Services Ltd. (also included in Advisor Solutions advisor counts):
		• 2,542 investment representatives

1 As at October 31, 2023.
2 The Canada segment ceased residential mortgage origination in November 2022.
3 As at November 30, 2023.
4 Advisor Solutions includes all contracted advisors. Independent Distribution and Financial Horizons Group include advisors who placed new business in 2023.
5 Financial Horizons Group advisors that placed Canada Life business in 2023 are also included in the MGA independent broker count.

Insurance & Annuities

The Company provides an array of individual insurance products that are distributed through multiple sales channels.

Market Position	Products and Services	Distribution[2,3]
• A leader in individual life insurance sales measured by new total premiums with 15.7% market share[1] • A significant provider of individual disability and critical illness insurance with 9.3% market share of new sales[1]	**Individual Life Insurance** • Term life • Universal life • Participating life **Living Benefits** • Disability • Critical illness **Retirement Income Plans** • Payout annuities • Deferred annuities	**Advisor Solutions** • 4,122 financial security advisors **Independent Distribution** • 6,558 independent brokers associated with 31 MGAs[4] • 1,155 advisors associated with 14 national accounts • 1,452 IG Wealth Management consultants who actively sell Canada Life products • 106 direct brokers and producer groups **Financial Horizons Group[4]** • 5,166 independent brokers selling products from across the industry, including Canada Life

1 For the nine months ended September 30, 2023.
2 As at November 30, 2023. On December 4, 2023, Canada Life announced a strategic partnership with nesto starting in 2024.
3 Advisor Solutions includes all contracted advisors. Independent Distribution and Financial Horizons Group include advisors who placed new business in 2023.
4 Financial Horizons Group advisors that placed Canada Life business in 2023 are also included in the MGA independent broker count.

Competitive Conditions

Workplace Solutions

The group life and health benefits market in Canada mainly comprises three large group insurance carriers with significant market positions, a number of smaller companies operating nationally and several regional and niche competitors. The Company has a significant market share of 22%, which is supported by an extensive distribution network that has access to a wide range of products and services. This strong market share position is a distinct advantage for competing successfully in the Canadian group insurance market.

The group capital accumulation plan market is also very competitive. Three major insurance companies hold a significant market share while several smaller insurance companies have an important market presence.

Individual Wealth Management

The individual wealth management marketplace is very competitive. The mutual fund market is fragmented, with the largest participant having 16% market share of assets. The Company's main competitors include mutual fund companies, insurance companies, banks, financial technology (Fintech) and investment advisors as well as other service and professional organizations. Competition focuses on ease of doing business through technology, service, variety of investment options, investment performance, product features, price (fees), compensation and financial strength. Individual Wealth Management's broad spectrum of distribution associates, including affiliated and independent channels, which was further enhanced in 2023 with the acquisition of IPC and Value Partners, provide important strategic advantages within the Canadian market.

Insurance & Annuities

Competition in the Canadian individual insurance market focuses on service, technology, product features, price, compensation and financial strength, as indicated by ratings issued by nationally recognized agencies. The Company's broad spectrum of distribution associates, including affiliated and independent channels, provide important strategic advantages within the Canadian market.

2023 Developments

Strategic Developments

- On November 30, 2023, Canada Life completed the previously announced acquisition of IPC, a leading independent wealth management firm, from IGM. Canada Life acquired IPC for a total purchase consideration of $585 million. 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.
- On September 8, 2023, Canada Life completed its acquisition of Value Partners, bringing complementary capabilities that will further extend wealth offerings for advisors and their clients.
- With the acquisitions of Value Partners and IPC, Canada Life is accelerating its vision to establish a leadership position in the Canadian independent advisor wealth market in Canada with more than 4,000 advisor relationships and $102 billion in assets under administration.

Business Developments

- Canada Life onboarded the Canada federal government PSHCP on July 1st, 2023, after 19 months of preparations. The PSHCP is the largest group benefit plan in Canada and increased Canada Life's group life & health block by approximately 15% and extended the Company's capabilities in the group health insurance market to better support all customers in the future. While the initial impact to operations and customer service of onboarding the PSHCP was larger than originally expected, this prompted a number of agile responses, including the development and implementation of a Customer Service Action Plan, which has reduced call wait times, accelerated claims processing, and escalated urgent cases. The Company has also worked hard to be transparent to plan members, publicly posting our progress on improving service standards and updating frequently asked questions on a regular basis. The plan has shown great progress and call centre and claims processing times are now at target levels. Since July 1, we have processed over 14 million claims totaling almost $1 billion. Our priority going forward is implementing the final set of plan design changes the federal government has made for January 1, 2024.
- Canada Life was awarded the Canada federal government dental care benefits program in June 2023. This win extends a decades-long relationship in retaining the PSDCP for active employees and expands to include the retiree plan effective July 1, 2024. Overall, the program represents approximately $550 million in annual paid claims and supports the same 1.7 million Canadians as the PSHCP onboarded on July 1, 2023.
- Canada Life has agreed to become the new insurer for a major Canadian Bank's Credit Card Creditor Insurance program. Once implemented, this transaction will be one of the largest in the history of Canada Life Creditor Insurance, and will further strengthen our leading position in market share.
- The Company launched Canada Life My Par Gift™, a first-of-its-kind, innovative participating life insurance product for donors and registered charities.
- During the third quarter of 2023, Canada Life expanded its mobile Android and iPhone apps to include group savings, creating a unified experience to match the industry-leading My Canada Life at Work member site. Members now can make claims, see balances, and easily understand their group savings in a single, easy-to-use, and easy-to-access dedicated mobile experience.
- On December 4, 2023, Canada Life announced a strategic partnership with nesto, a leading Canadian digital mortgage company, to provide mortgage service and administration for Canada Life's residential mortgage customers. Starting January 2024, nesto began servicing and the administration of Canada Life's residential mortgage portfolio.

Selected Financial Information - Canada

	For the three months ended			For the twelve months ended	
	Dec. 31 2023	Sept. 30 2023	Dec. 31 2022 (Restated)	**Dec. 31 2023**	Dec. 31 2022 (Restated)
Base earnings (loss)[1]					
Workplace Solutions	$ 192	$ 191	$ 141	$ 706	$ 631
Individual Wealth Management	46	49	44	202	199
Insurance & Annuities	60	58	120	224	358
Corporate	3	(2)	(45)	26	(24)
Base earnings (loss)[1]	$ 301	$ 296	$ 260	$ 1,158	$ 1,164
Items excluded from base earnings	(135)	118	92	(197)	267
Net earnings - common shareholders	$ 166	$ 414	$ 352	$ 961	$ 1,431
Sales[2]					
Group Life & Health	$ 135	$ 1,913	$ 138	$ 2,336	$ 610
Group Retirement	1,143	617	1,068	3,151	3,457
Workplace Solutions	1,278	2,530	1,206	5,487	4,067
Individual Wealth Management	2,869	2,100	2,545	9,801	9,674
Insurance & Annuities	175	152	278	637	902
Net cash flows[2]					
Group Retirement	$ 435	$ (161)	$ 186	$ 849	$ 1,016
Individual Wealth Management	(572)	(427)	(329)	(1,960)	(1,324)
Net cash flows[2]	$ (137)	$ (588)	$ (143)	$ (1,111)	$ (308)
Fee and other income					
Workplace Solutions	$ 244	$ 233	$ 219	$ 945	$ 822
Individual Wealth Management	131	88	88	401	360
Corporate	8	7	6	31	30
Fee and other income	$ 383	$ 328	$ 313	$ 1,377	$ 1,212
Group life and health book premiums[2]	$ 14,843	$ 14,700	$ 12,155		
Total assets	$ 203,784	$ 191,837	$ 190,249		
Other assets under management[2,3]	13,056	7,460	4,057		
Total assets under management[1]	216,840	199,297	194,306		
Other assets under administration[2]	55,635	27,759	26,344		
Total assets under administration[1]	$ 272,475	$ 227,056	$ 220,650		
Contractual service margin					
Insurance & Annuities - Non-Participating	$ 1,159	$ 1,149	$ 1,264		
Individual Wealth Management - Segregated Funds	1,846	1,797	1,878		
Insurance & Annuities - Participating	2,869	3,385	3,376		
Contractual service margin	$ 5,874	$ 6,331	$ 6,518		

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 December 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, $3.3 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 fourth quarter of 2023, the Canada segment's base earnings of $301 million increased by $41 million or 16% compared to the same quarter last year, reflecting strong group disability results driven by improved morbidity experience and management pricing actions and higher earnings on surplus, partially offset by unfavourable individual insurance mortality experience and favourable impacts from certain tax estimates in 2022 which did not repeat.

In the fourth quarter of 2023, net earnings of $166 million decreased by $186 million compared to the same quarter last year. Items excluded from base earnings were negative $135 million compared to positive $92 million for the same quarter last year. Market experience relative to expectations were negative $114 million in the fourth quarter of 2023 due to a decrease in long-term interest rates and credit spreads, which increased the fair value of liabilities more than the assets supporting them. This was partially offset by favourable non-fixed income asset performance. This compares to positive $61 million in the same quarter last year due to an increase in long-term interest rates, partially offset by a decrease in credit spreads, which decreased the fair value of liabilities more than the assets supporting them. This was also partially offset by a unfavourable non-fixed income performance. The prior year items also included a positive $63 million one-time impact for a change in the Canadian statutory income tax rate, which did not repeat.

In conjunction with the transition to IFRS 17, the Company made ALM and accounting policy choices to increase the stability of regulatory capital. As a result, a certain amount of additional net earnings sensitivity was accepted in order to balance LICAT capital sensitivity, resulting in more stable capital positions. Over the time frame since transition, cumulative fluctuations in net earnings driven by market experience relative to expectations have been modest and regulatory capital has experienced increased stability, consistent with Management's expectations. For additional information, refer to the "Transition to IFRS 17 and IFRS 9" section of this document.

For the twelve months ended December 31, 2023, base earnings of $1,158 million decreased by $6 million compared to the same period last year, primarily due to favourable impacts from certain tax estimates in 2022 that did not repeat and slightly lower CSM recognition for services provided. This was partially offset by increased group life and health earnings driven by premium growth and strong disability experience, and higher earnings on surplus. Base earnings before tax for the twelve months ended December 31, 2023 grew 10% compared to the same period last year.

For the twelve months ended December 31, 2023, net earnings decreased by $470 million to $961 million compared to the same period last year. Items excluded from base earnings were negative $197 million compared to positive $267 million for the same period last year. Market experience relative to expectations was negative $139 million compared to positive $136 million for the same period last year. Assumption changes and management actions were negative $38 million compared to positive $87 million for the same period last year, although these changes must be considered along with the associated CSM impacts. In addition, the prior year included a positive $63 million one-time impact for a change in the Canadian statutory income tax rate.

For the fourth quarter of 2023, the net loss attributable to the participating account was $5 million compared to a net loss of $134 million for the same quarter last year, primarily driven by more favourable net investment results, partially offset by less favourable tax impacts compared to the same quarter last year.

For the twelve months ended December 31, 2023, net earnings attributable to the participating account was $16 million compared to a net loss of $86 million for the same period last year, primarily due to more favourable net investment results and higher CSM recognition for services provided, partially offset by less favourable tax impacts compared to the same period last year.

Sales

Group life and health sales for the fourth quarter of 2023 of $135 million decreased by $3 million compared to the same quarter last year, due to lower creditor sales, offset by higher mid-sized market sales. Group retirement sales for the fourth quarter of 2023 of $1,143 million increased by $75 million compared to the same quarter last year, primarily due to higher asset retention and group capital accumulation plan sales. Individual wealth management sales for the fourth quarter of 2023 of $2,869 million increased by $324 million compared to the same quarter last year, primarily due to higher proprietary and third party mutual fund sales. Insurance and annuities sales for the fourth quarter of 2023 of $175 million decreased by $103 million compared to the same quarter last year, primarily due to lower individual and single premium group annuity sales, partially offset by higher non-par insurance sales.

For the twelve months ended December 31, 2023, group life and health sales of $2,336 million increased by $1,726 million compared to the same period last year, primarily due to the addition of the Canada federal government PSHCP. Group retirement sales for the twelve months ended December 31, 2023 of $3,151 million decreased by $306 million compared to the same period last year, due to lower group capital accumulation plan sales. Individual wealth management sales for the twelve months ended December 31, 2023 of $9,801 million increased by $127 million compared to the same period last year, primarily due to higher third party mutual fund and guaranteed sales. Insurance and annuities sales for the twelve months ended December 31, 2023 of $637 million decreased by $265 million compared to the same period last year, due to lower individual and single premium group annuity sales.

Group life and health book premiums

Group life and health book premiums at December 31, 2023 were $14,843 million, an increase of $143 million compared to September 30, 2023, primarily due to natural growth in the book.

Net cash flows

In the fourth quarter of 2023, net cash outflows were $137 million compared to net outflows of $143 million for the same quarter last year. Higher individual wealth management mutual fund and group retirement sales were offset by higher individual wealth management segregated fund and mutual fund withdrawals.

For the twelve months ended December 31, 2023, net cash outflows were $1,111 million compared to net outflows of $308 million for the same period last year. The increase in outflows was primarily due to higher individual wealth management segregated fund withdrawals, partially offset by lower individual wealth management third party mutual fund withdrawals.

Fee and other income

Fee and other income for the fourth quarter of 2023 of $383 million increased by $70 million compared to the same quarter last year, primarily due to growth in administrative services only fees and the acquisitions of Value Partners and Investment Planning Counsel.

Fee and other income for the twelve months ended December 31, 2023 of $1,377 million increased by $165 million compared to the same period last year, primarily due to the same reasons discussed for the in-quarter results.

Contractual service margin (CSM)

Contractual service margin at December 31, 2023 was $5,874 million, a decrease of $457 million compared to September 30, 2023, primarily driven by participating account assumption changes and impact of yield curve changes, partially offset by positive segregated fund market impacts and favourable impacts of a reinsurance negotiation.

At December 31, 2023, total contractual service margin was $5,874 million, a decrease of $644 million from December 31, 2022. The decrease was primarily due to the same reasons discussed for the in-quarter movement in contractual service margin as well as the impact of unfavourable insurance experience.

Outlook

Refer to Cautionary Note regarding Forward-looking Information and Cautionary Note regarding Non-GAAP Financial Measures and Ratios at the beginning of this document.

Workplace Solutions

The group life and health market in Canada is primarily shared by three major players, including Canada Life. Major factors affecting the growth of this market, as well as the Company, include employment growth, macroeconomic conditions such as interest rate, and regulatory/legislative landscape shift such as the pending Pharmacare bill in Canada. The group retirement market in Canada is dominated by the same major players. Major factors affecting the growth of this market, as well as the Company, include employment growth, ability for workers to put aside retirement savings, and macroeconomic conditions such as interest rate and public equity market.

During 2023, Workplace Solutions solidified its leading position in the Canadian group market onboarding the PSHCP and with being awarded the Public Service Dental Care Plan (PSDCP). The Company believes that its leading or strong market share in all case sizes, regional and benefit market segments, together with its distribution capacity, will facilitate continued growth.

In 2024, Workplace Solutions plans to: enhance its competitive position by focusing on improving its operational resilience; enhance its productivity as well as customer and employee experience by making further investments in workflow, automation, digital innovation and artificial intelligence; and further improve efficiency and customer service by building additional digital capabilities to meet the needs of the PSDCP that can be leveraged by the rest of the business. In addition, Workplace Solutions plans to continue its focus and investment in the disability offering and operations to support growth and profitability in this business.

Workplace Solutions will also continue to offer members enhanced products that will be more readily available through the Freedom Experience suite of products. The business will continue to capitalize on acquisition of ClaimSecure, leverage newly acquired capabilities to offer an enhanced product shelf, and grow in the third party administrator business segment.

Individual Wealth Management

The individual wealth management market in Canada is shared among banks, wealth advisory companies, life insurers and others, including online platform such as WealthSimple. Major factors affecting the growth of this market, as well as the Company, include growth in private wealth, pattern of wealth accumulation and decumulation, regulatory/legislative landscape shift, and macroeconomic conditions such as the public equity market.

The strong Canada Life brand, prudent business practices, the depth and breadth of its distribution channels, as well as the Company's reputation for strength and stability, positions the Company well for 2024 and beyond.

In 2023, the Company acquired IPC and Value Partners to further extend wealth offerings for advisors and their clients, as well as accelerate the Company's strategy of building the leading platform for independent advisors in Canada. With more than $100 billion in assets, the Company is becoming one of Canada's leading non-bank wealth managers.

In 2024, Individual Wealth Management will leverage the newly acquired capabilities to advance its growth strategies. The business will enhance the value propositions for advisors in all channels, providing them with strategies and tools, helping their customers focus on achieving long-term financial security. This commitment to advice is beneficial to strong customer retention as well as helping advisors attract new customers.

The business will continue to competitively develop, price and market a comprehensive range of individual wealth management products while maintaining its focus on providing a leading platform to customers and independent advisors in all channels. These capabilities will be further improved with the recent acquisitions. The business will also leverage economies of scale across its recently acquired wealth management platforms, where relevant for customers and advisors.

Insurance & Annuities

The insurance and annuities market in Canada is led by a few major players, with many other players participating in the market. Major factors affecting the growth of this market, as well as the Company, include need for life and health protection, tax and estate planning, growth in private wealth, regulatory/legislative landscape shift, and macroeconomic conditions including interest rates and public equity markets.

In 2023, the Company continued to strengthen its distribution network and product suite by launching a new product, My Par Gift and improved pricing for term, universal life and critical illness products. The Company also continued to enhance features for its web-based illustrations.

In 2024, Insurance & Annuities will continue to advance on business strategies of balancing growth with disciplined pricing and risk selection. The business will continue to competitively develop, price and market a comprehensive range of individual insurance products, while maintaining a strong focus on pricing and risk management discipline. The Company will also continue to monitor and respond to the impacts of fluctuation in long-term interest rates and price compression.

The Company remains committed to supporting its advisors. Distribution channels will maximize the use of common tools, processes and support, while tailoring support to specific segments of advisors, where appropriate. It will continue to focus on sales and service support to customers and advisors in all channels.

Operational expense management continues to be critically important for the Canada segment to deliver strong financial results. The business will seek to achieve this through disciplined expense controls and effective implementation of efficiency initiatives. Management has identified key areas of focus for these initiatives to facilitate efficiency gains balancing with supporting organic growth, including continuing to invest in digital solutions to support advisors and customers, while addressing its legacy of administration systems and processes to gain efficiency.

United States

The United States segment operating results for Lifeco include the results of Empower Annuity Insurance Company of America (Empower), PanAgora Asset Management and the results of the legacy insurance businesses in the U.S. branch of Canada Life, together with an allocation of a portion of Lifeco's corporate results. Items not associated directly with or allocated to Empower and PanAgora Asset Management, including a retained block of life insurance, predominately participating policies, which are now administered by Protective Life, as well as a closed life retrocession block are included in the Corporate business unit. The U.S. segment also includes the results of Putnam Investments classified as discontinued operations.

Business Profile

Empower Defined Contribution

Empower Defined Contribution helps people with saving, investing and advice through employer sponsored defined contribution, defined benefit and non-qualified plans including enrollment services, communication materials, investment options and education services as well as individual product solutions for participants in employer sponsored plans. It also offers private label recordkeeping and administrative services for other providers of employer-sponsored defined contribution plans. Empower Defined Contribution aligns with the Workplace Solutions value driver.

Empower Personal Wealth

Empower Personal Wealth offers retail wealth management products and services to individuals, including individual retirement accounts and after-tax investment accounts. Empower Personal Wealth aligns with the Wealth & Asset Management value driver.

Asset Management

Asset Management, through the PanAgora Asset Management brand, provides investment management services and related administrative functions and distribution services and offers a broad range of investment products. PanAgora Asset Management aligns with the Wealth & Asset Management value driver. PanAgora Asset Management's results are immaterial to Lifeco's overall results.

Market Overview

Empower Defined Contribution

Market Position	Products and Services	Distribution
• Second largest defined contribution service provider in the country[1] by participants providing services for 17.9 million participant accounts and approximately 82,000 plans,[2] with clients in all 50 states, Puerto Rico and Guam • Industry leader for corporate plan sponsors: largest defined contribution provider to small-mid plan sponsors by participants and serves 2 of the largest 5 plans in the nation[1] • Provides services to government plans in all 50 states, including administration or investment services for 29 state plans • Largest provider of Union plan services[3] • Award-winning sales support and recognized #1 overall value for price[4]	• Employer-sponsored defined contribution, defined benefit and non-qualified plans and a complete array of financial wellness programs • Administrative and recordkeeping services, including enrollment, communication, and education programs • Fund management, investment and advisory services • Workplace advice solutions	• Retirement services products distributed to plan sponsors through brokers, consultants, advisors, third-party administrators and banks • Retirement plan sponsors are supported by Empower's dedicated sales, account management and client service professionals • Empower private label recordkeeping and administrative services distributed through institutional clients

1 2023 PLANSPONSOR DC Recordkeeping Survey as of December 31, 2022.

2 As of December 31, 2023.

3 2023 Pensions & Investments DC Recordkeeping Survey.

4 PLANADVISER 2022 Retirement Plan Advisor Survey. NAPA Advisors' Choice Awards 2023.

Empower Personal Wealth

Market Position	Products and Services	Distribution
• Individual wealth management provider with approximately 647,200 accounts and $72 billion in assets under administration.	• Fund management, investment and advisory services • Individual retirement accounts (IRAs) and taxable brokerage accounts	• IRAs and taxable brokerage accounts available to individuals distributed directly to consumers utilizing best-in-class digital platform acquired through Personal Capital

Competitive Conditions

Empower Defined Contribution

The employer sponsored defined contribution market is extremely competitive and includes other well-established insurance companies and financial service providers, banks, investment advisors, record keepers and certain service and professional organizations. No single competitor or small number of competitors is dominant. The Company competes primarily based on name recognition, price, breadth and quality of service, technology, financial strength and the ability to offer products and services that meet the needs of its diverse clients.

Empower Personal Wealth

Competition in the wealth management market is intense, and clients have diverse preferences, leading to a fragmented market. The Company's competitors include traditional brick and mortar, hybrid and digital registered investment advisors, independent advisory firms, brokerages, mutual fund companies, insurance companies and banks. Though no one competitor is dominant, a handful of legacy organizations are leveraging their size and name recognition while there are continued challenges from new and existing market participants. Competition focuses on brand recognition, investment strategies and performance, technology and innovation, fees and cost structure, customer service, product offerings and reputation driven by third party reviews and social media.

2023 Developments

Strategic Developments

- Subsequent to December 31, 2023, on January 1, 2024, Lifeco completed the previously announced sale of Putnam Investments to Franklin Resources, Inc., operating as "Franklin Templeton", in exchange for Franklin Templeton common shares, cash, and other deferred and contingent consideration. The transaction is not expected to have a material financial impact for Lifeco at close and will be reflected in the first quarter 2024 results. Lifeco will retain its controlling interest in PanAgora Asset Management, a leading quantitative asset manager, and has agreed to retain shares representing approximately 4.9% of outstanding Franklin Templeton stock for a minimum 5-year period.

  In addition to the sale, Lifeco, along with Power Corporation of Canada and Franklin Templeton, has entered into a strategic partnership to distribute Franklin Templeton products. Lifeco will provide an initial long-term asset allocation of US$25 billion assets under management to Franklin Templeton within 12 months of closing with the potential for that amount to increase over the next several years.

- On April 1, 2022, Empower completed the acquisition of the full-service retirement services business of Prudential.

  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 from the date of acquisition, primarily when systems migrations are completed. As of December 31, 2023, US$80 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 the end of 2026.

  Empower expects to incur one-time integration and restructuring expenses of US$170 million pre-tax related to the Prudential acquisition, US$19 million pre-tax of which were incurred in the fourth quarter of 2023. The integration is expected to be completed in the first half of 2024.

(in US$ millions)	**For the three months ended**		**For the twelve months ended**	**Total expensed to date**
	Dec. 31 2023	Sept. 30 2023	**Dec. 31 2023**	**Dec. 31 2023**
Restructuring and integration (pre-tax)	$ 19	$ 12	$ 65	$ 133
Restructuring and integration (post-tax)	14	9	48	99

- 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.

Selected Financial Information - United States

	For the three months ended			For the twelve months ended	
	Dec. 31 2023	Sept. 30 2023	Dec. 31 2022 (Restated)	**Dec. 31 2023**	Dec. 31 2022 (Restated)
Base earnings (loss) (US$)[1]					
Empower Defined Contribution	$ 155	$ 163	$ 135	$ 659	$ 524
Empower Personal Wealth	40	38	30	135	79
Asset Management[3]	—	(2)	5	(7)	—
Corporate	(2)	(4)	(10)	(38)	(40)
Base earnings (loss) (US$)	$ 193	$ 195	$ 160	$ 749	$ 563
Items excluded from base earnings (US$)	(51)	(13)	(35)	(177)	(211)
Net earnings from continuing operations (US$)[2]	$ 142	$ 182	$ 125	$ 572	$ 352
Base earnings (loss) (C$)[1,3]	$ 261	$ 262	$ 215	$ 1,006	$ 737
Net earnings from continuing operations (C$)[2]	$ 194	$ 244	$ 168	$ 769	$ 464
Net flows (US$)[2]					
Empower Defined Contribution[4]	$ 8,301	$ (6,976)	$ 3,650	$ 11,001	$ 31,949
Empower Personal Wealth[5]	1,653	1,881	2,417	8,519	9,257
Asset Management[3]	(995)	(1,486)	(675)	(3,777)	(2,787)
Net flows (US$)[2]	$ 8,959	$ (6,581)	$ 5,392	$ 15,743	$ 38,419
Net flows (C$)[2]	$ 12,184	$ (8,818)	$ 7,333	$ 21,370	$ 49,524
Fee and other income (US$)					
Empower Defined Contribution	$ 586	$ 569	$ 543	$ 2,273	$ 2,058
Empower Personal Wealth	109	104	83	398	315
Asset Management[3]	19	20	27	81	96
Fee and other income (US$)	$ 714	$ 693	$ 653	$ 2,752	$ 2,469
Fee and other income (C$)	$ 970	$ 928	$ 887	$ 3,706	$ 3,225
Total assets (US$)	$ 229,947	$ 218,344	$ 219,408		
Continuing operations - other assets under management[2]	108,268	100,045	94,587		
Discontinued operations - other assets under management[2]	121,478	112,519	110,700		
Total assets under management[1]	459,693	430,908	424,695		
Other assets under administration[2]	1,270,267	1,144,242	1,056,914		
Total assets under administration (US$)[1]	$ 1,729,960	$ 1,575,150	$ 1,481,609		
Total assets under administration (C$)[1]	$ 2,300,847	$ 2,142,204	$ 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.
3 Comparative results are restated to exclude discontinued operations related to Putnam Investments.
4 Comparative results for the twelve months ended December 31, 2022 do not include $403.3 billion (US$315.1 billion) in transfers related to the Prudential acquisition.
5 Comparative results for the twelve months ended December 31, 2022 do not include $7.8 billion (US$6.1 billion) in transfers related to the Prudential acquisition.
Note: The United States segment does not have a material contractual service margin (CSM) balance.

Base earnings and net earnings from continuing operations

In the fourth quarter of 2023, net earnings from continuing operations increased by US$17 million to US$142 million compared to the same quarter last year. Base earnings of US$193 million increased by US$33 million compared to the same quarter last year, primarily due to an increase in fee and other income due to organic growth in the business, higher average equity markets, as well as a favourable fee income adjustment related to Prudential. This increase was partially offset by credit-related impairments of commercial mortgage loans in the fourth quarter of 2023.

Items excluded from base earnings increased to negative US$51 million compared to negative US$35 million for the same quarter last year, primarily due to unfavourable market experience relative to expectations as well as higher amortization of acquisition-related intangible assets. In addition, the fourth quarter of 2022 included a favourable adjustment related to the completion of the Prudential acquisition.

For the twelve months ended December 31, 2023, net earnings from continuing operations increased by US$220 million to US$572 million compared to the same period last year. Base earnings of US$749 million increased by US$186 million compared to the same period last year, primarily due the same reasons discussed for the in-quarter results as well as higher contribution from investment experience and an additional quarter of Prudential-related earnings in 2023.

For the twelve months ended December 31, 2023, items excluded from base earnings were negative US$177 million compared to negative US$211 million for the same period last year. The improvement was primarily due to lower integration and restructuring costs related to the completion of the MassMutual and Personal Capital integrations in 2022 and improved market experience relative to expectations. These improvements were partially offset by a provision recorded in the second quarter of 2023 related to Empower's sale, via indemnity reinsurance, of substantially all of its individual life and annuity business in 2019.

Net flows

In the fourth quarter of 2023, net inflows were US$9.0 billion compared to net inflows of US$5.4 billion for the same quarter last year, primarily due to increased large plan sales. Large plan sales can be highly variable from period to period and tend to be lower margin; however, contribute to covering fixed overhead costs.

For the twelve months ended December 31, 2023, net inflows were US$15.7 billion compared to net inflows of US$38.4 billion for the same period last year excluding US$321.2 billion in net transfers related to the Prudential acquisition. The decrease was primarily due to net participant redemptions of assets under administration in Empower Defined Contribution, as well as lower inflows. Empower Defined Contribution had large plan sales contributing US$43.7 billion in assets in 2022 compared to US$24.6 billion in large plan sales in 2023.

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 fourth quarter of 2023 of US$714 million increased by US$61 million compared to the same quarter last year. The increase was primarily due to increased participants and assets under administration due to higher equity market levels and overall growth in the business. Additionally, there were one-time amounts related to the Prudential integration that favourably contributed to the current quarter.

Fee and other income for the twelve months ended December 31, 2023 of US$2,752 million increased by US$283 million compared to the same period last year. The increase was primarily due to the same reasons discussed for the in-quarter results as well as an additional quarter of Prudential related fee income.

Empower - Assets under administration (US$)

	Dec. 31 2023	Dec. 31 2022 (Restated)
General account - fixed options	$ 66,531	$ 73,955
Segregated funds - variable options	131,954	123,166
Other assets under management[1]	75,794	62,706
Other assets under administration[2]	1,270,267	1,056,914
Total	$ 1,544,546	$ 1,316,741

1 At December 31, 2023, other assets under management included US$21.4 billion in Putnam managed funds (US$19.6 billion at December 31, 2022) and US$95.6 billion in Prudential managed funds (US$89 billion at December 31, 2022).

2 At December 31, 2023, other assets under administration included US$316 billion in Prudential managed funds (US$197 billion at December 31, 2022).

Empower customer account values at December 31, 2023 of US$1.5 trillion increased by US$227.8 billion compared with December 31, 2022, primarily due to an increase in non-proprietary funds in other assets under administration in Empower Defined Contributions due to market activity.

Outlook

Refer to Cautionary Note regarding Forward-looking Information and Cautionary Note regarding Non-GAAP Financial Measures and Ratios at the beginning of this document.

Empower Defined Contribution

Empower is positioned for significant growth opportunities with expertise and diversification across all plan types, company sizes and market segments. With its growth by acquisitions starting in 2020, Empower has added significant expertise, a broader set of capabilities and an expanded product portfolio. Empower continues to be firmly positioned as the second largest player in the U.S. retirement market with anticipated organic growth at one and a half to two times the industry. This is expected to result in an increased contribution from Empower to overall Lifeco results. Empower also expects continued consolidation in the workplace retirement market and will assess acquisition opportunities as they emerge.

In 2024, Empower's strategies to drive sales growth will continue to include active marketing of the Empower brand, investing in product differentiation and offering a best-in-class service model. In the first half of 2024, Empower anticipates the completion of the integration of the Prudential business acquired in 2022 resulting in additional cost synergies.

Empower remains focused on continuously improving the plan and participant experience. This includes continued investment in technology solutions to enhance the customer web experience including the Empower Personal Dashboard, adding innovative capabilities, and investing in artificial intelligence. These efforts are expected to increase customer retention and ultimately increase participant retirement savings.

Empower Personal Wealth

Empower Personal Wealth was launched in the first quarter of 2023 by combining Empower's legacy rollover and brokerage offerings with the capabilities and customers from the business acquired from Personal Capital. It focuses on providing retail wealth management to individual investors through its individual retirement accounts (IRAs) and taxable brokerage offerings.

In 2024, Empower Personal Wealth will continue to serve its existing customers and stimulate growth through focus on advice and digital tools and continued active marketing of the Empower brand. It will continue to develop and offer a broad range of product solutions that leverage the Empower Personal Dashboard. Those products include individual retirement accounts and other retirement solutions, taxable solutions including brokerage account products, personalized financial advice and high net worth solutions. Management has identified key areas of focus for these initiatives to facilitate the objective of organic growth, including continuing to invest in digital solutions to support advisors and customers and addressing its legacy of administration systems and processes to unlock the potential for future growth.

Europe

The Europe segment is comprised of three distinct business units: Workplace Solutions, Individual Wealth & Asset Management and Insurance & Annuities. The segment serves 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 along with other acquired brands within the broker market in Ireland.

Business Profile

Workplace Solutions

Workplace Solutions consists of group life and health insurance business in the U.K. and Ireland as well as group retirement and employee benefit consulting services in Ireland. These products and services are distributed through employee benefit consultants in the U.K. and independent brokers and a direct sales force in Ireland. Irish Life Health offers individual and corporate health plans, distributed through independent brokers and direct channels. The Company's subsidiary Unio Employee Benefits, established in the first quarter of 2023, offers employee benefits consulting services in Ireland and represents the amalgamation of three of Ireland's leading employee benefits consulting companies. The Company's subsidiary Cornmarket Group Financial Services Limited is Ireland's largest public sector provider of financial services with over 440,000 active policies at the end of 2023.

Individual Wealth & Asset Management

Individual Wealth & Asset Management consists of investments products offered in the U.K., pension, savings, and investment products offered in Ireland and pension products offered in Germany. The core products offered are investments, including life bonds, retirement drawdown and pension. These products are distributed through independent financial advisors, including owned independent financial advisors, a direct sales force, tied agent bank branches and by companies in the Isle of Man selling into the U.K. Canada Life Asset Management (CLAM) is a fund management company managing a broad range of assets on behalf of the U.K. businesses and companies in the Lifeco group. Irish Life Investment Managers (ILIM) is one of the Company'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 including pension schemes, insurance companies, wealth managers, fiduciary managers and sovereign wealth funds across Europe and North America. Setanta Asset Management, a subsidiary of the Company also based in Ireland, manages assets for third-party institutional clients and a number of companies in the Lifeco group. The Company operates two wealth consultancy businesses in Ireland. One of which is Unio Wealth Management, established in the first quarter of 2023, which represents the amalgamation of three of Ireland's leading wealth management companies.

Insurance & Annuities

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 protection insurance offered in Ireland and Germany. These products are distributed through independent brokers and multi-tied agents. During 2023, Canada Life U.K. announced an agreement to sell its individual onshore protection business that has been closed to new business since late 2022.

Market Overview

Workplace Solutions

Market Position	Products and Services	Distribution
U.K. • Group life market share 23%[1] • Group income protection market share 14%[1] **Ireland** • Life assurance market share 36%[2] • Group DC schemes market share 39%[3] • Group third largest health insurance business through Irish Health with a market share of 21%[4]	**U.K.** • Group life insurance • Group income protection (disability) • Group critical illness **Ireland** • Group critical illness • Group and individual health insurance • Group risk & pension • Group wealth management services	**U.K.** • Financial advisors • Employee benefit consultants **Ireland** • Independent brokers (including owned brokers) • Pension consultants (including owned pension consultants) • Direct sales force made up of primarily self employed tied agents and a smaller employed sales team • Direct digital and contact centre

1 As at December 31, 2022.

2 As at June 30, 2023. This is the total Irish Life Assurance share of the Life, Pensions & Investments market.

3 As at January 31, 2023 based on the officially published 2022 figures.

4 As at September 30, 2023.

Individual Wealth & Asset Management

Market Position	Products and Services	Distribution
U.K. • A market leading international life company selling into the U.K. market with over 26% market share[1] **Ireland** • ILIM is one of the largest institutional fund managers in Ireland with $156 billion assets under management[2] • Setanta Asset Management has approximately $20 billion of assets under management[2] • Unio is one of Ireland's leading wealth management companies **Germany** • 3% share of the broker market[3]	**U.K.** • Individual savings and investments (retirement drawdown & pension, onshore & international bonds and collective investment funds) **Ireland** • Individual risk & pensions • Individual wealth management services • Individual savings and investment • Institutional investment management **Germany** • Pensions • Variable annuities (GMWB)	**U.K.** • Financial advisors • Private banks **Ireland** • Independent brokers (including owned brokers) • Pension and investment consultants • Direct sales force made up of primarily self employed tied agents and a smaller employed sales team • Direct digital and contact centre • Tied bank branch distribution **Germany** • Independent brokers • Multi-tied agents

1 Market share position is based on Acuity U.K. Index Q3 2023.

2 As at December 31, 2023.

3 As at September 30, 2023.

Insurance & Annuities

Market Position	Products and Services	Distribution
U.K. • Payout annuities market share 21% (advisor only)[1] • A leading company in the equity release market with 9% market share[2] **Ireland** • Market leader with total market share of 36%[3] • Number one in individual life insurance with 27%[4] • Number one in bulk annuities with 57% market share[5] **Germany** • 7% share of the broker market[6]	**U.K.** • Individual and bulk payout annuities • Fixed term annuities • Individual life insurance (closed to new business) • Individual critical illness (closed to new business) • Equity release mortgages **Ireland** • Individual and bulk payout annuities • Individual protection products **Germany** • Income protection (disability) • Critical illness • Individual life insurance	**U.K.** • Financial advisors • Employee benefit consultants **Ireland** • Independent brokers (including owned brokers) • Direct sales force made up of primarily self employed tied agents and a smaller employed sales team • Direct digital and contact centre • Tied bank branch distribution **Germany** • Independent brokers • Multi-tied agents

1 Market share based on third quarter 2023 data through financial advisors, restricted whole market advisors and non-advised distributor.

2 Equity Release Council market statistics for the fourth quarter of 2022 to the third quarter of 2023.

3 As at June 30, 2023. This is the total Irish Life Assurance share of the Life, Pensions & Investments market.

4 As at June 30, 2023.

5 As at December 31, 2023.

6 As at September 30, 2023.

Competitive Conditions

Workplace Solutions

In the U.K., Canada Life remains as the leader in the market based on premium, lives and number of schemes. The top 4 participants in this market have captured the majority of share in the market by inforce premium.

Irish Life is the largest life assurance company in Ireland with a market share of 36% as at June 30, 2023. While there are a broad number of domestic and multinational participants, the top three participants have a combined share of the market exceeding 75%.

Irish Life Health is one of the three main insurers in the Irish market and provides access to healthcare through its health insurance plans that offers preventative health benefits through a combination of innovative digital and in-person services.

The intermediary division of Irish Life provides employee benefits consultancy to companies in Ireland through Unio and Cornmarket Group Financial Services. Cornmarket Group are the largest Irish public sector's provider of financial services with over 440,000 active policies as at the end of 2023, whereas Unio Financial Services operates predominately in the private sector.

Individual Wealth & Asset Management

Canada Life Asset Management (CLAM) is based in the U.K. with approximately $61 billion of assets under management, as at December 31, 2023. CLAM's core fund management solutions include a broad asset sourcing capability that supports its institutional client mandates, bulk annuity and reinsurance customers and retail collective funds. CLAM distributes its products through a network of platforms, discretionary fund managers and financial advisors.

CLAM recorded collective sales exceeding $1.8 billion including a record year of external fund sales of $777 million. During the fourth quarter, the first institutional inflows occurred and are a part of the WS Canlife Sterling Liquidity Fund.

During the fourth quarter of 2023, Canada Life U.K. received four stars from the Global Real Estate Sustainability Benchmark for the balance sheet property portfolio, and ranked 9th out of 100 from the U.K. Diversified Core participants. The improvement reflects the demonstration of energy saving initiatives, net-zero carbon audits, tenant engagement and surveys, along with improved tenant data collection and green certifications on larger assets.

ILIM is one of Ireland's largest institutional fund managers with approximately $156 billion of assets under management, as at December 31, 2023. ILIM continues to expand its investment offerings in multi asset, real estate and custom indexed solutions to broaden its environmental, social and governance (ESG) capabilities, and evolve its asset and liability management capabilities to support bulk annuity services for large defined benefit pension schemes.

The retail business of Irish Life Assurance plc (ILA) manages both pensions and investment products on behalf of individual customers. At December 31, 2023, the total assets under administration of ILA Retail was approximately $28 billion. This followed the successful transfer of €1.8 billion ($2.7 billion) of funds on November 1, 2023 from ILA to Saol Assurance dac (AIB Life). ILA Retail distributes its products through a broad network in Ireland via independent brokers, banking partners and directly employed advisers and tied agents.

The Company has a leading position among providers of low guarantee unitized products to the German independent intermediary market. The move of insurance companies from traditional German insurance products with guarantees to the unitized lighter guarantee product categories that Canada Life offers continues to increase the level of competition. The Company has enhanced its ongoing product, technology and service improvements to help strengthen its position in the competitive German market where it holds a leading position.

Within Individual Wealth & Asset Management, the intermediary division of Irish Life provides wealth services to individuals. This is primarily through Unio Financial Services, which along with an affiliated company, oversees approximately $12 billion of assets on behalf of Workplace and Individual Wealth & Asset Management clients.

Insurance & Annuities

Canada Life in the U.K. has benefited in recent years from an increase in the proportion of customers who are seeking the best price in the open market and buying annuities through financial advisors, which are the Company's primary distribution channel. The Company continues to offer both standard and enhanced annuities as well as investment-based pension and drawdown products for customers wanting to take advantage of pension flexibility.

The Company is well positioned for further growth in the retirement retail market, supported by its equity release mortgage expertise, which is an important part of the retirement market. The Company also offers bulk annuities aimed at trustees of defined benefits plans who want to insure pension annuities in payment. This is a large and growing market and the demand from trustees remains strong as they consider ways to reduce risk. With considerable expertise and experience in longevity and investment products, the Company is well placed in the bulk annuity market.

2023 Developments

Strategic Developments

- During the first quarter of 2023, Irish Life combined its Irish brands: Invesco Limited, Acumen & Trust and APT Wealth Management under a single wealth management umbrella. The new firm, Unio, brings together three advisory firms into one firm with a common advisory and investment proposition for clients. The new company provides expert advice for thousands of individuals in the Irish market who are currently either under-advised, or need assistance in managing 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 May 16, 2023, Canada Life U.K. announced an agreement to sell its individual onshore protection business to Countrywide Assured plc (Countrywide), a subsidiary of Chesnara plc. Approximately 47,000 customer policies will transfer to Countrywide in 2024, subject to the completion of a court-approved transfer. This follows the Canada Life U.K. announcement that it closed onshore individual protection insurance to new business in November 2022. As a result of this agreement, divestiture costs of $29 million have been excluded from base earnings in the second quarter of 2023.
- During the fourth quarter of 2023, the Company undertook several strategic actions to help strengthen its market positions in Europe and enhance the outlook for 2024. The one-time financial impacts of these actions were excluded from base earnings:
    - Following the successful launch of the Company's joint venture, AIB Life in 2023, Irish Life completed the sale to AIB Life of a portfolio of policies previously written under our pre-existing distribution agreement with Allied Irish Banks, p.l.c. (AIB). The transaction resulted in a net gain of $118 million ($127 million of which was recorded in the fourth quarter of 2023). The sale of this portfolio of policies adds to the scale of AIB Life and accelerates the timeline to profitability.
    - The Company recorded provisions of $159 million related to the write-off of intangible assets related to certain information technology systems as well as provisions for staff reductions starting in 2024. The write-off of intangible assets and the provision for staff reductions arose from the following business decisions and activities:
        - Subsequent to December 31, 2023, in the first quarter of 2024, the Company announced its decision to close to new business the Company's U.K. on-shore wealth business.
        - The restructuring provision will support the German business with the implementation of its strategy to create growth through product diversification and an efficiency program leveraging the new administration platform and increased automation using artificial intelligence technologies.
        - The continued implementation of the Company's "one Irish Life" strategy including the build out of digital customer technologies and increased automation in Ireland.
    - An inforce block of U.K. annuity business was reinsured externally on attractive terms, supporting capital efficiency and capacity in this business line. This transaction increases the capacity for new U.K. annuity business in the buoyant U.K. market where $991 million in business was written in the second half of 2023 and strengthened the Company's position for 2024. The reinsurance transaction resulted in a net gain of $110 million and added approximately one and a half points to Canada Life's LICAT ratio.

Business Developments

- Irish Life's EMPOWER Master Trust reached over €6 billion in assets under management by the end of 2023. The master trust is the largest in Ireland, benefiting over 130,000 members by delivering a best-in-class member engagement program, responsible investment strategies and independent governance.
- In September 2023, Canada Life U.K. was awarded U.K. Stewardship Code 2020 status for the first time. The Financial Reporting Council's U.K. Stewardship Code 2020 sets high stewardship standards for those investing money on behalf of U.K. savers and pensioners, and those that support them. This achievement demonstrates Canada Life U.K.'s credentials in ensuring customers' assets and the systems depended upon are well looked after.
- Canada Life U.K. wrote eight large bulk annuity sales by the end of 2023, aggregating to $1.1 billion. The U.K. bulk purchase annuities market has been buoyant as trustees seek to de-risk. During the third quarter of 2023, Irish Life completed onboarding a $117 million bulk annuity transaction; the largest bulk annuity transaction to take place in the Irish market in 2023.
- In 2023, Canada Life U.K. achieved a record of full year sales of individual and fixed term annuities with new business sales of $2 billion (£1.2 billion) consisting of over 12,000 new policies.
- Throughout 2023, the Company launched a number of applications and platforms across its business lines to enhance users' experiences and to extend supports for its clients' health and well-being. The Company continues to invest internally in automation and digital innovation to streamline processes and workflows with the goal of generating operational efficiencies and increased productivity.

Selected Financial Information - Europe

	For the three months ended			For the twelve months ended	
	Dec. 31 2023	Sept. 30 2023	Dec. 31 2022 (Restated)	**Dec. 31 2023**	Dec. 31 2022 (Restated)
Base earnings (loss)[1,4]					
Workplace Solutions	$ 87	$ 53	$ 33	$ 258	$ 235
Individual Wealth & Asset Management	43	59	63	161	255
Insurance & Annuities	91	93	163	396	356
Corporate	(8)	1	(3)	(38)	(1)
Base earnings (loss)[1,4]	$ 213	$ 206	$ 256	$ 777	$ 845
Items excluded from base earnings	4	(181)	(281)	(393)	357
Net earnings (loss) - common shareholders	$ 217	$ 25	$ (25)	$ 384	$ 1,202
Sales[2]					
Workplace Solutions	$ 596	$ 568	$ 368	$ 2,343	$ 1,964
Individual Wealth & Asset Management	6,260	5,270	5,223	24,947	21,533
Insurance & Annuities	1,216	1,421	847	3,851	3,783
Net cash flows[2]					
Workplace Solutions	$ 408	$ 510	$ 194	$ 1,605	$ 1,593
Individual Wealth & Asset Management	3,388	363	1,087	7,882	3,662
Insurance & Annuities	30	21	17	93	89
Net cash flows[2]	$ 3,826	$ 894	$ 1,298	$ 9,580	$ 5,344
Fee and other income[4]					
Workplace Solutions	$ 49	$ 38	$ 44	$ 202	$ 193
Individual Wealth & Asset Management	151	153	129	573	529
Insurance & Annuities and Corporate	1	(1)	(5)	2	(8)
Fee and other income[4]	$ 201	$ 190	$ 168	$ 777	$ 714
Group life and health book premiums[2]	$ 2,415	$ 2,348	$ 2,125		
Total assets	$ 194,529	$ 182,742	$ 176,781		
Other assets under management[2]	63,525	56,300	50,539		
Total assets under management[1]	258,054	239,042	227,320		
Other assets under administration[2,3]	12,076	11,579	11,345		
Total assets under administration[1]	$ 270,130	$ 250,621	$ 238,665		
Contractual service margin					
Insurance & Annuities - Non-Participating	$ 3,255	$ 3,104	$ 2,771		
Individual Wealth & Asset Management - Segregated Funds	1,463	1,323	1,391		
Contractual service margin	$ 4,718	$ 4,427	$ 4,162		

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 December 31, 2023, other assets under administration excludes $12.7 billion of assets managed for other business units within the Lifeco group of companies ($11.3 billion at September 30, 2023 and $10.8 billion at December 31, 2022).

4 Following internal reviews, the mapping of certain business units to Value Drivers has been modified and comparative results for the periods ended December 31, 2022 have been restated, as applicable.

Base and net earnings

In the fourth quarter of 2023, the Europe segment's net earnings of $217 million increased by $242 million compared to the same quarter last year. Base earnings of $213 million decreased by $43 million compared to the same quarter last year, primarily due to lower investment earnings in Insurance & Annuities driven by the impact of trading activity in the prior year that did not re-occur. The decrease was partially offset by favourable group protection experience in Workplace Solutions and the impact of currency movement.

Items excluded from base earnings for the fourth quarter of 2023 were positive $4 million compared to negative $281 million for the same quarter last year. The increase was primarily due to a net gain on sale of a portfolio of policies to AIB Life of $127 million and from the impact of recapturing a block of inforce annuities reinsured internally which resulted in a net gain of $110 million. In addition, property value reductions were greater in 2022 than in 2023. These items were partially offset by an asset impairment related to information technology systems as well as provisions for restructuring costs.

In conjunction with the transition to IFRS 17, the Company made ALM and accounting policy choices to increase the stability of regulatory capital. As a result, a certain amount of additional net earnings sensitivity was accepted in order to balance LICAT capital sensitivity, resulting in more stable capital positions. Over the time frame since transition, cumulative fluctuations in net earnings from continuing operations driven by market experience relative to expectations have been modest and regulatory capital has experienced increased stability, consistent with Management's expectations. For additional information, refer to the "Transition to IFRS 17 and IFRS 9" section of this document.

For the twelve months ended December 31, 2023, net earnings decreased by $818 million to $384 million compared to the same period last year, primarily due to market related items excluded from base earnings, as described below.

Base earnings of $777 million decreased by $68 million compared to the same period last year, primarily due to lower investment earnings in Insurance & Annuities and changes in fees and expense allocations in Individual Wealth & Asset Management. The decrease was partially offset by favourable group protection experience in Workplace Solutions, improved morbidity experience in Insurance & Annuities and the impact of currency movement.

Items excluded from base earnings decreased by $750 million to negative $393 million. The same period last year included positive contributions from higher-than-expected non-fixed income asset returns and positive impacts from higher risk-free rates, whereas 2023 included negative market experience relative to expectations driven by reductions in commercial property values, and realized OCI losses related to asset rebalancing to shorter duration assets in the surplus account in the second quarter of 2023. These reductions were partially offset by the net gain on sale to AIB Life and the U.K. inforce annuity reinsurance recapture as discussed for the in-quarter results.

Sales

Individual Wealth & Asset Management sales for the fourth quarter of 2023 of $6,260 million increased by $1,037 million compared to the same quarter last year, primarily due to higher wealth fund management sales in Ireland and the U.K. and the impact of currency movement. Insurance & Risk Solutions sales for the fourth quarter of 2023 of $1,216 million increased by $369 million compared to the same quarter last year, primarily due to strong individual annuity sales from higher interest rates and from bulk annuities reflecting improved operational capabilities in the U.K. as well as impact of currency movement. This is partially offset by lower equity release mortgage sales resulting from higher interest rates and lower bulk payout annuity sales in Ireland. Workplace Solutions sales for the fourth quarter of 2023 of $596 million increased by $228 million compared to the same quarter last year, primarily due to pension sales growth in Ireland and the impact of currency movement.

Individual Wealth & Asset Management sales for the twelve months ended December 31, 2023 of $24,947 million increased by $3,414 million compared to the same period last year, primarily due to the same reasons discussed for in-quarter results. Insurance & Risk Solutions sales for the twelve months ended December 31, 2023 of $3,851 million increased by $68 million compared to the same period last year, primarily due to strong individual annuity and bulk annuity sales in the U.K. and impact of currency movement, partially offset by lower equity release mortgage sales in the U.K. Workplace Solutions sales for the twelve months ended December 31, 2023 of $2,343 million increased by $379 million compared to the same period last year, primarily due to the same reasons discussed for in-quarter results.

Group life and health book premiums

Group life and health book premiums at December 31, 2023 were $2.4 billion, an increase of $67 million compared to September 30, 2023, primarily due to organic growth of in-force business.

Net cash flows

In the fourth quarter of 2023, net cash inflows were $3.8 billion compared to net inflows of $1.3 billion for the same quarter last year. The increase was primarily due to higher wealth fund management sales in Ireland.

For the twelve months ended December 31, 2023, net cash inflows were $9.6 billion compared to net inflows of $5.3 billion for the same period last year. The increase was primarily due to the same reasons discussed for in-quarter results.

Fee and other income

Fee and other income for the fourth quarter of 2023 increased by $33 million to $201 million compared to the same quarter last year, primarily due to higher management fees from higher average asset levels in Individual Wealth & Asset Management and the impact of currency movement.

Fee and other income for the twelve months ended December 31, 2023 were $63 million higher compared to the same period last year, primarily due to the same reasons discussed for the in-quarter results.

Contractual service margin

Contractual service margin at December 31, 2023 was $4,718 million, an increase of $291 million compared to September 30, 2023, primarily due to strong contributions of CSM from new business for non-participating products, positive assumption changes, higher market impacts and the impact of currency movement.

At December 31, 2023, total contractual service margin was $4,718 million, an increase of $556 million from December 31, 2022, primarily due to the same reasons discussed for the in-quarter results.

Outlook

Refer to Cautionary Note regarding Forward-looking Information and Cautionary Note regarding Non-GAAP Financial Measures and Ratios at the beginning of this document.

Workplace Solutions

- Canada Life U.K.'s group protection business maintained its position as a market leader in 2023 and the Company believes that this market position along with value-add features will facilitate continued growth in premium income. The Company anticipates the beneficial impact of wage inflation will reduce over the short to medium-term as inflationary pressures in the U.K. reduce.

- In 2024, Irish Life will focus on developing a fully integrated corporate engagement strategy to maximize the effectiveness of our strong corporate relationships, ensure we maintain our best-in-class pension, risk and health propositions and continue the journey of integrating its wealth and employee benefits consulting businesses. Through the development of the fully integrated corporate engagement strategy, this will support maximizing the impact of the Irish Life brand and continue to grow both the number of relationships and the depth of these relationships. Irish Life offers a broad level of solutions to corporate clients in the pension, protection, wealth and health spaces ahead of what is customary in these markets.

Individual Wealth & Asset Management

- In 2024, Canada Life U.K. will focus on maintaining its position as a key player in the single premium offshore investment bond marketplace. U.K.'s distribution strategy for wealth will remain focused on financial advisors and maintaining its relationships with institutional partners. We aim to hold our current market leading position. Our success has been driven by breadth and depth of the product range, features and investment options, jurisdictional choice, service, technical support and relationship excellence, as well as competitive pricing. Consolidation has reduced the number of major providers in the market (80% of the market is now controlled by just five providers); this presents the Company with an opportunity to grow its market share further.

- In 2024, Irish Life will continue to grow the new wealth brand Unio, while maintaining our market leading positions in asset management in the areas of sustainability and product innovation.

- In 2024, Canada Life in Germany will focus on growth and diversification in products and propositions, efficiency through automation using technology and artificial intelligence partnerships and enhancing the experience of the independent financial adviser and customer using digital. Occupational pensions are a major growth theme in Germany and the Company will use its franchise and technologies to move up the value curve through small and into medium-size business segments where there is significant pension undercoverage in Germany. The Company has been successful in building a presence in the pensions market by leveraging its UWP competency and in 2024, will explore alternative solutions that are more capital-light while still meeting customer and advisor needs.

Insurance & Annuities

- In 2024, both Canada Life U.K. and Irish Life will focus on maintaining share of the retail payout annuities market while investing in customer service systems. In 2023, rapid growth in the retail payout annuities market was driven by improved payout rates and consumers seeking a guaranteed income. The Company expects that interest in retail annuities will remain high as interest rates persist at a higher level than in the recent past, while overall retirement market demand will continue to grow as retiree finances increasingly reflect historic employer provision shifts from defined benefit to defined contribution plans.

- The Company will further develop its presence in the bulk annuity market where trustees of defined benefit schemes want to remove risk by insuring pension liabilities. Medium-term demand is expected to remain strong in this market as scheme funding ratios mean de-risking is accessible for a higher proportion of schemes than in previous years. In the U.K., the Company invested in its operational capability and proposition in 2023, which is expected to help grow its share of the bulk payout annuities market.

- The outlook for both U.K. gilt prices and property prices remains uncertain over the short-term, however, demand for equity release mortgage products is likely to increase given growing customer needs to cope with cost of living crisis and continuing needs to meet living costs, consolidate debt and manage mortgage debt carried in to later life.

- In 2024, the Company will continue to digitalize and expand its advice services to 1.6 million customers and its advice partners.

- In 2024, Canada Life in Germany will complete the tail migration of all policies onto the new single iSuite administration system and engage in upgrading the system to a more recent version. The new system will enable the Company to drive for increased efficiency through automation and the Company will leverage artificial intelligence technologies to automate core administrative processes starting with new business and indexing processes. The Company is also building its digital and data capabilities and will launch a new customer portal minimum viable product to make it easier for customers to access their plan information.

Capital and Risk Solutions

The Capital and Risk Solutions segment includes Lifeco's reinsurance business and an allocation of a portion of Lifeco's corporate results. Capital and Risk Solutions also includes the results for the Company'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.

Business Profile

Reinsurance

Reinsurance provides capital and risk solutions and operates primarily in the U.S., Barbados, Bermuda and Ireland. In the U.S., the reinsurance business operates through a branch of Canada Life. In Barbados, the reinsurance business operates primarily through a branch of Canada Life and subsidiaries of Canada Life. In Bermuda and Ireland, the reinsurance business operates through a subsidiary of Canada Life.

The Company's business includes both reinsurance and retrocession business transacted directly with clients or through reinsurance brokers. As a retrocessionaire, the Company provides reinsurance to other reinsurers to enable those companies to manage their insurance risk. The product portfolio offered by the Company includes life, health, annuity/longevity, mortgage surety and property catastrophe reinsurance, provided on both a proportional and non-proportional basis.

In addition to providing reinsurance products to third parties, the Company also utilizes the same structures on internal reinsurance transactions between companies in the Lifeco group. These transactions are undertaken to better manage insurance risks relating to retention, volatility and concentration; and to facilitate capital management for the Company, its subsidiaries and branch operations. These internal reinsurance transactions produce benefits that are reflected in one or more of the Company's other business units.

Market Overview

Reinsurance

Market Position	Products and Services	Distribution
• 4th largest reinsurer worldwide by premium volume[1] • Largest life reinsurer worldwide by premium volume[1] • Leading provider of structured reinsurance solutions in the U.S. and Europe markets • Leading provider of U.K. and European longevity reinsurance • Ranked 8th for traditional mortality reinsurance in the U.S in terms of market share[1] • Long-standing provider of a range of property and casualty catastrophe retrocession coverages	**Life, Health and Annuity** • Yearly renewable term • Co-insurance • Modified co-insurance • Risk & capital management solutions **Longevity** • Longevity swaps • Capital management solutions **Mortgage and Surety Reinsurance** • Stop loss and quota share **Property and Casualty** • Catastrophe retrocession • Capital management solutions **Funded Reinsurance** • Coinsurance of life and annuity blocks with assets	• Independent reinsurance brokers • Direct placements

[1] As at December 31, 2022.

Competitive Conditions

In the U.S. life reinsurance market, insurers continue to view reinsurance as an important tool for risk and capital management. Several competitors are now focusing on growing their market share, which has resulted in increased competition. Nevertheless, a biennial independent industry survey released in November 2023 confirmed that the Company remains one of the top two providers of risk and capital management solutions in the U.S. market. The Company's financial strength and ability to offer risk and capital solutions and traditional mortality reinsurance continues to be a competitive advantage.

In Europe, Solvency II dominates the regulatory landscape and interest in reinsurance solutions that produce capital benefits continues to grow. Demand for longevity reinsurance remains strong in the U.K., the Netherlands and other continental European countries. As a result, there are now more reinsurers participating in the European market.

The Company's main competitors include other large reinsurance companies primarily in North America and Europe.

2023 Developments

- The Capital and Risk Solutions segment continued to grow by providing tailored solutions to customers while increasing diversification within the portfolio. In 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, including two transactions in Italy and expanded our client base in Asia. In the fourth quarter, the Company entered into a long-term longevity reinsurance agreement with an insurance company in the United Kingdom covering approximately £1 billion of pension liabilities and approximately 50,000 in-payment and deferred pensioners.
- The Company offers property catastrophe coverage to reinsurance companies and as a result, the Company is exposed to potential claims arising from major weather events and other catastrophic events, primarily hurricanes, windstorms and earthquakes. Current preliminary estimates of industry losses arising from catastrophe events in the third and fourth quarters of 2023 do not reach the level where any claims would be anticipated. In addition, the Company continues to monitor potential impacts of recent geopolitical conflicts, which are not expected to have a material effect on results.

Selected Financial Information - Capital and Risk Solutions

	For the three months ended			For the twelve months ended	
	Dec. 31 2023	Sept. 30 2023	Dec. 31 2022 (Restated)	**Dec. 31 2023**	Dec. 31 2022 (Restated)
Base earnings (loss)[1]					
Reinsurance	$ 232	$ 195	$ 179	$ 778	$ 607
Corporate	4	3	2	16	(9)
Base earnings (loss)[1]	$ 236	$ 198	$ 181	$ 794	$ 598
Items excluded from base earnings	(21)	67	(178)	39	(56)
Net earnings - common shareholders	$ 215	$ 265	$ 3	$ 833	$ 542
Total assets[2]	$ 9,088	$ 8,483	$ 8,975		
Contractual service margin					
Reinsurance - Non-Participating	$ 1,745	$ 1,735	$ 1,796		
Reinsurance - Participating	23	24	25		
Contractual service margin	$ 1,768	$ 1,759	$ 1,821		

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 The Capital and Risk Solutions segment does not have assets under management or other assets under administration.

Base and net earnings

In the fourth quarter of 2023, the Capital and Risk Solutions segment's net earnings of $215 million increased by $212 million compared to the same quarter last year. Base earnings of $236 million increased by $55 million compared to the same quarter last year, primarily due to growth in the structured business and net positive insurance experience primarily driven by favourable claims developments on prior years' property catastrophe losses, partially offset by unfavourable experience in the U.S. life business and on certain structured transactions.

Items excluded from base earnings were negative $21 million compared to negative $178 million for the same quarter last year driven by relative interest rate and credit spread in-period movements.

In conjunction with the transition to IFRS 17, the Company made ALM and accounting policy choices to increase the stability of regulatory capital. As a result, a certain amount of additional net earnings sensitivity was accepted in order to balance LICAT capital sensitivity, resulting in more stable capital positions. Over the time frame since transition, cumulative fluctuations in net earnings from continuing operations driven by market experience relative to expectations have been modest and regulatory capital has experienced increased stability, consistent with Management's expectations. For additional information, refer to the "Transition to IFRS 17 and IFRS 9" section of this document.

For the twelve months ended December 31, 2023, net earnings increased by $291 million to $833 million compared to the same period last year. Base earnings increased by $196 million to $794 million for the same period last year, primarily due to the same reasons discussed for the in-quarter results as well as a provision for estimated claims related to Hurricane Ian of $128 million in 2022.

For the twelve months ended December 31, 2023, items excluded from base earnings increased by $95 million to positive $39 million compared to the same period last year, primarily due to relative interest rate and credit spread in-period movements, partially offset by net assumption updates.

Contractual service margin

Contractual service margin at December 31, 2023 was $1,768 million, an increase of $9 million compared to September 30, 2023, primarily due to new business and currency impacts which were partially offset by run-off and experience.

At December 31, 2023, total contractual service margin was $1,768 million, a decrease of $53 million from December 31, 2022. The decrease was mainly driven by run-off and unfavourable experience exceeding new business impacts.

Outlook

Refer to Cautionary Note regarding Forward-looking Information and Cautionary Note regarding Non-GAAP Financial Measures and Ratios at the beginning of this document.

Reinsurance

The U.S. health individual market continues to create expanded opportunities for reinsurance.

The Company's reinsurance business unit continues to help its clients and other affiliated companies meet capital challenges through innovative reinsurance solutions. Demand for structured reinsurance remains strong and will remain a focus for 2024.

Internationally, Canada Life continues to explore opportunities where the Company's reinsurance solutions can support clients in new geographies and execute a number of value generating transactions. Measured international expansion will remain a focus in 2024.

Significant severe convective storms and flood events continued in 2023 along with other major events including fires and earthquakes. As a result, the Company expects 2024 retrocessional pricing to remain relatively elevated, similar to 2023. The Company's primary focus in the property catastrophe market for 2024 will be to continue to support the core client base with prudent attachment levels, restricted territorial scope and risk adjusted premiums.

Lifeco Corporate

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			For the twelve months ended	
	Dec. 31 2023	Sept. 30 2023	Dec. 31 2022 (Restated)	**Dec. 31 2023**	Dec. 31 2022 (Restated)
Base earnings (loss)[1]	$ (40)	$ (12)	$ (18)	$ (68)	$ (26)
Items excluded from base earnings	(9)	—	(2)	(17)	15
Net earnings (loss) - common shareholders	$ (49)	$ (12)	$ (20)	$ (85)	$ (11)

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.

In the fourth quarter of 2023, Lifeco Corporate had a net loss of $49 million comparable to a net loss of $20 million for the same period last year. Base loss of $40 million increased by $22 million compared to the same quarter last year, primarily due to higher operating expenses driven by higher variable compensation expenses.

Items excluded from base earnings for the fourth quarter of 2023 were negative $9 million compared to negative $2 million for the same quarter last year, primarily due to less favourable market experience relative to expectations.

For the twelve months ended December 31, 2023, Lifeco Corporate's net loss was $85 million compared to a net loss of $11 million for the same period last year. The base loss of $68 million increased by $42 million compared to the same period last year, primarily due to higher operating expenses driven by higher variable compensation expenses and audit fees.

For the twelve months ended December 31, 2023, items excluded from the base loss were negative $17 million compared to positive $15 million for the same period last year, primarily due to unfavourable market experience relative to expectations.

Consolidated Financial Position

Assets

Assets under administration[1]

	Canada	United States	Europe	Capital and Risk Solutions	Total
As at December 31, 2023					
Assets					
Invested assets	$ 89,382	$ 86,715	$ 41,981	$ 8,732	$ 226,810
Goodwill and intangible assets	6,545	6,151	3,037	—	15,733
Insurance contract assets	400	291	331	171	1,193
Reinsurance contract held assets	1,243	12,243	3,713	133	17,332
Other assets	4,964	16,192	3,531	52	24,739
Assets held for sale[3]	—	4,467	—	—	4,467
Investments on account of segregated fund policyholders	101,250	179,770	141,936	—	422,956
Total assets	203,784	305,829	194,529	9,088	713,230
Continuing operations - other assets under management[2]	13,056	143,997	63,525	—	220,578
Discontinued operations - other assets under management[2,4]	—	161,566	—	—	161,566
Total assets under management[1]	216,840	611,392	258,054	9,088	1,095,374
Other assets under administration[2]	55,635	1,689,455	12,076	—	1,757,166
Total assets under administration[1]	$ 272,475	$ 2,300,847	$ 270,130	$ 9,088	$ 2,852,540
As at December 31, 2022 (Restated)					
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.

3 On May 31, 2023, Lifeco announced an agreement to sell Putnam Investments to Franklin Templeton. Beginning Q2 2023, the related assets have been classified as assets held for sale. The transaction closed on January 1, 2024, subsequent to the fourth quarter of 2023.

4 Beginning Q4 2023, other assets under management related to Putnam Investments have been classified as discontinued operations - other assets under management.

Total assets under administration (AUA) at December 31, 2023 increased by $0.4 trillion to $2.9 trillion compared to December 31, 2022, primarily due to the impacts of equity market movement, new business growth, and the acquisition of Value Partners and Investment Planning Counsel Inc. (IPC) in the Canada segment during 2023. These items were partially offset by the impact of currency movement in the U.S. segment.

For additional details on assets acquired through business acquisitions, refer to "Business Acquisitions and Other Transactions", note 4 in the Company's December 31, 2023 annual consolidated financial statements.

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.

Invested asset distribution

	Canada	United States	Europe	Capital and Risk Solutions	Total	
As at December 31, 2023						
Bonds						
Government & related	$ 17,951	$ 6,188	$ 15,282	$ 3,307	$ 42,728	19 %
Corporate & other	34,793	60,430	14,809	4,291	114,323	50
Sub-total bonds	52,744	66,618	30,091	7,598	157,051	69
Mortgages	16,744	14,321	6,707	642	38,414	17
Stocks	13,140	1,889	704	—	15,733	7
Investment properties	5,543	21	2,306	—	7,870	4
Sub-total portfolio investments	88,171	82,849	39,808	8,240	219,068	97
Cash and cash equivalents	1,211	3,866	2,173	492	7,742	3
Total invested assets	$ 89,382	$ 86,715	$ 41,981	$ 8,732	$ 226,810	100 %
As at December 31, 2022 (Restated)						
Bonds						
Government & related	$ 19,824	$ 4,795	$ 14,207	$ 4,011	$ 42,837	19 %
Corporate & other	29,918	66,111	13,507	3,718	113,254	51
Sub-total bonds	49,742	70,906	27,714	7,729	156,091	70
Mortgages	15,998	14,760	6,082	357	37,197	17
Stocks	12,400	1,395	506	—	14,301	6
Investment properties	5,759	33	2,552	—	8,344	4
Sub-total portfolio investments	83,899	87,094	36,854	8,086	215,933	97
Cash and cash equivalents	1,444	3,561	1,798	487	7,290	3
Total invested assets	$ 85,343	$ 90,655	$ 38,652	$ 8,573	$ 223,223	100 %

At December 31, 2023, total invested assets were $226.8 billion, an increase of $3.6 billion from December 31, 2022. The increase in invested assets was primarily due to an increase in the fair value of bonds resulting from a decrease in bond yields across all geographies as well as an increase in private equity investments due to purchases and market value increases. The distribution of assets has not changed significantly and remains heavily weighted to bonds and mortgages.

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 $157.1 billion or 69% of invested assets at December 31, 2023 compared to $156.1 billion or 70% at December 31, 2022. The increase in the bond portfolio was primarily due to 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 70% rated A or higher.

Bond credit ratings reflect bond rating agency activity up to December 31, 2023. Management continues to closely monitor bond rating agency activity and general market conditions.

Bond portfolio quality

	As at December 31, 2023		As at December 31, 2022 (Restated)	
AAA	$ 24,298	15 %	$ 25,397	16 %
AA	31,435	20	31,614	20
A	54,807	35	53,864	35
BBB	44,811	29	43,482	28
BB or lower	1,700	1	1,734	1
Total	$ 157,051	100 %	$ 156,091	100 %

At December 31, 2023, non-investment grade bonds were $1.7 billion or 1.1% of the bond portfolio which was comparable to values at December 31, 2022.

The following table provides details of the carrying value of the bonds by issuer and industry sector:

	As at December 31, 2023		As at December 31, 2022 (Restated)	
Bonds issued or guaranteed by:				
Treasuries	$ 14,853	10 %	$ 14,570	10 %
Government related	26,626	17	26,803	17
Agency securitized	1,249	1	1,464	1
Non-agency securitized	17,178	11	18,218	12
Financials	23,178	15	23,449	15
Communications	3,669	2	3,640	2
Consumer products	17,296	11	17,657	11
Energy	6,520	4	6,526	4
Industrials	11,781	8	12,051	8
Technology	5,127	3	4,881	3
Transportation	6,806	4	6,063	4
Utilities	22,768	14	20,769	13
Total	$ 157,051	100 %	$ 156,091	100 %

At December 31, 2023, total bonds were $157.1 billion compared to $156.1 billion at December 31, 2022. The increase was primarily due to an increase in the utilities industry sector driven by new purchases and an increase in fair values resulting from a decrease in bond yields across all geographies.

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. The majority of the mortgages held in the Europe segment are classified as amortized cost and therefore there are no fair value movements recorded on these holdings. 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.

	As at December 31, 2023				As at December 31, 2022 (Restated)	
Mortgage loans by type	Insured[1]	Non-insured	Total		Total	
Single family residential	$ 328	$ 1,183	$ 1,511	4 %	$ 1,738	5 %
Multi-family residential	2,586	6,786	9,372	24	9,628	26
Equity release	—	4,203	4,203	11	3,371	9
Commercial	—	23,328	23,328	61	22,460	60
Total	$ 2,914	$ 35,500	$ 38,414	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 $38.4 billion or 17% of invested assets at December 31, 2023, compared to $37.2 billion or 17% of invested assets at December 31, 2022. The increase in mortgages was primarily due to originations of commercial and equity release mortgages. At December 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.

Commercial mortgages

	Canada Par	Canada Non-Par	U.S.	Europe	Capital and Risk Solutions	Total
As at December 31, 2023						
Retail & shopping centres	$ 2,715	$ 774	$ 964	$ 1,097	$ 27	$ 5,577
Industrial	2,970	1,047	5,794	835	69	10,715
Office buildings	1,027	366	2,467	1,161	29	5,050
Other	32	24	1,151	757	22	1,986
Total	$ 6,744	$ 2,211	$ 10,376	$ 3,850	$ 147	$ 23,328
As at December 31, 2022 (Restated)						
Retail & shopping centres	$ 2,578	$ 857	$ 1,087	$ 945	$ 2	$ 5,469
Industrial	2,823	549	5,430	696	31	9,529
Office buildings	1,167	410	2,632	1,143	17	5,369
Other	33	29	1,335	696	—	2,093
Total	$ 6,601	$ 1,845	$ 10,484	$ 3,480	$ 50	$ 22,460

Throughout 2023, commercial real estate markets in Europe and North America showed signs of slowdown. In particular, the office markets are experiencing 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 for the underlying office properties in 2023 reflecting the current outlook. The Company is monitoring and will work proactively with borrowers to manage exposures. 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.

Expected credit losses

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 Company measures ECL allowances at either 12-month for stage 1 performing financial assets or lifetime ECL for stage 2 performing financial assets and stage 3 impaired financial assets. Refer to the "Summary of Critical Accounting Estimates" section of this document and in note 2 of the Company's December 31, 2023 annual consolidated financial statements for additional details on ECL measurement and presentation. Carrying values of assets subject to ECL allowance and corresponding allowances for ECL are shown below.

	As at December 31, 2023				January 1, 2023			
	Performing		**Impaired**	**Total**	Performing		Impaired	Total
	Stage 1	**Stage 2**	**Stage 3**		Stage 1	Stage 2	Stage 3	
Bonds at FVOCI	$ 11,745	$ 5	$ —	$ 11,750	$ 12,698	$ 3	$ —	$ 12,701
Allowance for credit loss	(3)	—	—	(3)	(3)	—	—	(3)
Mortgages at FVOCI	560	18	—	578	621	—	—	621
Allowance for credit loss	—	—	—	—	—	—	—	—
Mortgages at amortized cost[1]	4,087	328	7	4,422	3,818	341	—	4,159
Allowance for credit loss	(1)	(29)	(4)	(34)	(1)	(32)	—	(33)
Total assets subject to ECL[1]	$ 16,392	$ 351	$ 7	$ 16,750	$ 17,137	$ 344	$ —	$ 17,481
Total allowance for credit loss	$ (4)	$ (29)	$ (4)	$ (37)	$ (4)	$ (32)	$ —	$ (36)

[1] Includes the allowance for credit losses for mortgages at amortized cost.

At December 31, 2023, the total allowance for credit losses recognized was $37 million compared to $36 million at January 1, 2023. The increase in total allowance for credit losses was primarily due to an impaired U.K. mortgage.

Equity portfolio

The total equity portfolio was $23.6 billion or 10% of invested assets at December 31, 2023 compared to $22.6 billion or 10% of invested assets at December 31, 2022. The equity portfolio consists of publicly traded stocks, privately held stocks and investment properties. The increase in publicly traded stocks of $0.2 billion and the increase in privately held stocks of $1.2 billion were primarily due to purchases and market value increases. The decrease in investment properties of $0.5 billion was mainly the result of market value declines.

	As at December 31, 2023		As at Dec. 31, 2022 (Restated)	
Equity portfolio by type				
Publicly traded stocks	$ 11,599	49 %	$ 11,380	50 %
Privately held stocks	4,134	18	2,921	13
Sub-total	15,733	67	14,301	63
Investment properties	7,870	33	8,344	37
Total	$ 23,603	100 %	$ 22,645	100 %

Investment properties[1]

	Canada				
	Par	**Non-Par**	**U.S.**	**Europe**	**Total**
As at December 31, 2023					
Industrial	$ 1,906	$ 271	$ —	$ 847	$ 3,024
Office buildings	973	159	21	508	1,661
Retail	181	24	—	625	830
Other	1,555	474	—	326	2,355
Total	$ 4,615	$ 928	$ 21	$ 2,306	$ 7,870
As at December 31, 2022 (Restated)					
Industrial	$ 2,033	$ 271	$ —	$ 900	$ 3,204
Office buildings	1,084	176	25	564	1,849
Retail	194	24	—	765	983
Other	1,549	428	8	323	2,308
Total	$ 4,860	$ 899	$ 33	$ 2,552	$ 8,344

[1] The Capital and Risk Solutions segment does not hold any investment properties.

Throughout 2023, commercial real estate markets in Europe and North America showed signs of slowdown. In particular, the office markets are experiencing 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 in 2023 reflecting the current outlook for office properties. As market conditions evolve, the Company may be required to apply further valuation reductions.

Derivative Financial Instruments

During the fourth 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 December 31, 2023, total financial collateral, including initial margin and overcollateralization, received on derivative assets was $1.7 billion ($1.3 billion at December 31, 2022) and pledged on derivative liabilities was $773 million ($754 million at December 31, 2022). Collateral received on derivatives assets increased, primarily driven by the impact of the Canadian dollar strengthening against the U.S. dollar on cross-currency swaps that pay U.S. and receive Canadian dollars and initial margin requirements. Collateral pledged on derivatives liabilities increased in 2023, primarily driven by initial margin requirements.

During the twelve-month period ended December 31, 2023, the outstanding notional amount of derivative contracts increased by $5.3 billion to $51.9 billion, primarily due to increases in 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 $2.2 billion at December 31, 2023 from $2.3 billion 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 fourth quarter of 2023 and all had investment grade ratings as of December 31, 2023.

Goodwill and Intangible Assets

	As at December 31	
	2023	2022 (Restated)
Goodwill	$ 11,249	$ 10,611
Indefinite life intangible assets	1,269	2,882
Finite life intangible assets	3,215	3,348
Total	$ 15,733	$ 16,841

The Company's goodwill and intangible assets relate primarily to business acquisitions made by the Company. Goodwill and intangible assets of $15.7 billion at December 31, 2023 decreased by $1.1 billion compared to December 31, 2022. Goodwill increased by $0.6 billion, primarily due to acquisitions of IPC and Value Partners. Indefinite life intangible assets decreased by $1.6 billion and finite life intangible assets decreased by $0.1 billion, primarily due to reclassification of Putnam Investments assets to held for sale.

IFRS principles require the Company to assess at the end of each reporting period whether there is any indication that an asset may be impaired and to perform an impairment test on goodwill and indefinite life intangible assets at least annually or more frequently if events indicate that impairment may have occurred. Intangible assets that were previously impaired are reviewed at each reporting date for evidence of reversal. Finite life intangible assets are reviewed annually to determine if there are indications of impairment and assess whether the amortization periods and methods are appropriate. In the fourth quarter of 2023, the Company conducted its annual impairment testing of goodwill and intangible assets based on September 30, 2023 asset balances. It was determined that the recoverable amounts of cash generating unit (CGU) groupings for goodwill and CGUs for intangible assets were in excess of their carrying values and there was no evidence of impairment. Recoverable amount is based on fair value less cost of disposal.

Refer to note 9 in the Company's December 31, 2023 annual consolidated financial statements for further details of the Company's goodwill and intangible assets. Also, refer to the "Summary of Critical Accounting Estimates" section of this document for details on impairment testing of these assets.

Other General Fund Assets

	As at December 31	
	2023	2022 (Restated)
Other assets	$ 14,483	$ 15,949
Accounts and interest receivable	4,863	4,355
Deferred tax assets	1,848	1,470
Derivative financial instruments	2,219	2,314
Owner occupied properties	731	724
Fixed assets	335	399
Current income taxes	260	338
Total	$ 24,739	$ 25,549

Total other general fund assets at December 31, 2023 were $24.7 billion, a decrease of $0.8 billion from December 31, 2022. The decrease was primarily due to a decrease of $1.5 billion in other assets driven by funds held under investments contracts in Empower, partially offset by an increase of $0.5 billion in accounts and interest receivable and an increase of $0.4 billion in deferred tax assets.

Other assets comprise several items including prepaid expenses and accounts receivable. Refer to note 11 in the Company's December 31, 2023 annual consolidated financial statements for a breakdown of other assets.

Investments on Account of Segregated Policyholders

	As at December 31	
	2023	2022 (Restated)
Stock and units in unit trusts	$ 130,415	$ 117,863
Mutual funds	188,549	168,459
Bonds	72,111	69,371
Investment properties	12,071	13,035
Cash and other	11,718	10,607
Mortgage loans	2,022	2,159
Sub-total	$ 416,886	$ 381,494
Non-controlling mutual funds interest	6,070	6,388
Total	$ 422,956	$ 387,882

Investments on account of segregated fund policyholders, which are measured at fair value, increased by $35.1 billion to $423.0 billion at December 31, 2023 compared to December 31, 2022. The increase was primarily due to the combined impact of market value gains and investment income of $47.4 billion related to net unrealized capital gains on investments, partially offset by net withdrawals of $8.5 billion and a $2.7 billion portfolio transfer of segregated funds related to AIB Life.

PART B
GREAT-WEST LIFECO INC.

Liabilities

Total Liabilities

	As at December 31	
	2023	2022 (Restated)
Insurance contract liabilities	$ 144,388	$ 135,438
Reinsurance contract held liabilities	648	537
Investment contract liabilities	88,919	94,810
Other general fund liabilities	24,061	24,744
Liabilities held for sale[1]	2,407	—
Insurance contracts on account of segregated fund policyholders	60,302	57,841
Investment contracts on account of segregated fund policyholders	362,654	330,041
Total	$ 683,379	$ 643,411

[1] On May 31, 2023, Lifeco announced an agreement to sell Putnam Investments to Franklin Templeton. Beginning Q2 2023, the related liabilities have been classified as liabilities held for sale. The transaction closed on January 1, 2024, subsequent to the fourth quarter of 2023.

Total liabilities increased by $40.0 billion to $683.4 billion at December 31, 2023 from December 31, 2022.

Insurance contract liabilities increased by $9.0 billion. The increase was primarily due to market movements, partially offset by normal business movements.

Investment contract liabilities decreased by $5.9 billion. The decrease was primarily due to normal business movements, partially offset by investment experience.

Other general fund liabilities decreased by $0.7 billion. The decrease was primarily due to the repayment of €500 million senior bonds in the second quarter of 2023 and US$500 million of payments made against a short-term credit facility used to finance the Prudential acquisition. These items are partially offset by a increase of $0.7 billion of derivative collateral. $2.4 billion of Putnam Investments other liabilities were reclassified to liabilities held for sale.

Investment and insurance contracts on account of segregated fund policyholders increased by $35.1 billion, primarily due to the combined impact of market value gains and investment income of $47.4 billion, partially offset by net withdrawals of $8.5 billion, a $2.7 billion portfolio transfer of segregated funds related to AIB Life, and the negative impact of currency movement of $1.0 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.

Assets supporting insurance and investment contract liabilities

	Participating Account	Non-Participating Canada	Non-Participating United States	Non-Participating Europe	Non-Participating Capital and Risk Solutions	Total
December 31, 2023						
Bonds	$ 27,651	$ 21,408	$ 53,381	$ 25,738	$ 4,938	$ 133,116
Mortgage loans	13,008	4,244	11,760	6,707	488	36,207
Stocks	10,081	2,782	1,301	467	—	14,631
Investment properties	4,665	644	—	2,113	—	7,422
Other assets[1]	921	5,809	30,571	4,582	48	41,931
Total	$ 56,326	$ 34,887	$ 97,013	$ 39,607	$ 5,474	$ 233,307
Total insurance and investment contract liabilities	$ 56,326	$ 34,887	$ 97,013	$ 39,607	$ 5,474	$ 233,307
December 31, 2022 (Restated)						
Bonds	$ 24,979	$ 20,610	$ 60,783	$ 23,512	$ 5,343	$ 135,227
Mortgage loans	12,608	3,851	12,456	6,082	216	35,213
Stocks	9,377	2,707	873	388	—	13,345
Investment properties	4,884	685	—	2,345	—	7,914
Other assets[1]	222	4,713	29,535	3,540	539	38,549
Total	$ 52,070	$ 32,566	$ 103,647	$ 35,867	$ 6,098	$ 230,248
Total insurance and investment contract liabilities	$ 52,070	$ 32,566	$ 103,647	$ 35,867	$ 6,098	$ 230,248

1 Other assets include reinsurance assets, premiums in the course of collection, interest due and accrued, other investment receivables, deferred acquisition costs, accounts receivable, current income taxes and prepaid expenses. Reinsurance assets include assets recognized as a result of the indemnity reinsurance agreement with Protective Life Insurance Company (Protective Life).

Asset and liability cash flows are matched within established limits to minimize the financial effects of a shift in interest rates and mitigate the changes in the Company's financial position due to interest rate volatility.

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 annual consolidated financial statements for the period ended December 31, 2023 and the "Risk Management" section of this document 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 cash flows 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 annual consolidated financial statements for the period ended December 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 annual consolidated financial statements for the period ended December 31, 2023 for a discussion of initial and subsequent measurement of insurance contract liabilities.

Insurance contract liabilities and assets[1]

	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**
As at December 31, 2023						
Canada	$ 95,943	$ 1,935	$ 5,872	$ 103,750	$ 9,267	$ 113,017
United States	18,187	136	276	18,599	1	18,600
Europe	40,615	1,064	4,718	46,397	3,614	50,011
Capital and Risk Solutions	1,029	2,162	1,769	4,960	225	5,185
Total	$ 155,774	$ 5,297	$ 12,635	$ 173,706	$ 13,107	$ 186,813
As at December 31, 2022						
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 December 31, 2023, total net insurance contract liabilities were $186.8 billion, an increase of $11.7 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 (excluding Segregated Funds)							
	Canada	**United States**	**Europe**	**Capital and Risk Solutions**	**Total**	**Seg Funds**	**Par**	**Total**
CSM beginning of period, December 31, 2022	$ 1,264	$ 41	$ 2,771	$ 1,796	$ 5,872	$ 3,557	$ 3,694	$ 13,123
Impact of new insurance business	41	—	284	49	374	181	111	666
Expected movements from asset returns & locked-in rates	37	—	49	37	123	282	201	606
CSM recognized for services provided	(143)	(4)	(234)	(154)	(535)	(430)	(157)	(1,122)
Insurance experience gains/losses	(61)	(12)	18	(41)	(96)	(140)	—	(236)
Organic CSM movement	$ (126)	$ (16)	$ 117	$ (109)	$ (134)	$ (107)	$ 155	$ (86)
Impact of markets	—	—	—	—	—	240	(410)	(170)
Impact of changes in assumptions and management actions	21	—	307	41	369	(403)	(281)	(315)
Currency impact	—	(1)	60	17	76	11	(4)	83
Total CSM movement	$ (105)	$ (17)	$ 484	$ (51)	$ 311	$ (259)	$ (540)	$ (488)
CSM end of period, December 31, 2023	$ 1,159	$ 24	$ 3,255	$ 1,745	$ 6,183	$ 3,298	$ 3,154	$ 12,635

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 December 31, 2023, total contractual service margin on non-participating business excluding segregated funds was $6.2 billion, an increase of $311 million from December 31, 2022. The increase was mainly driven by assumption changes and management actions of $369 million, which includes a $239 million increase from prior quarters and a $126 million increase resulting from reinsurance transactions on in-force business executed in the fourth quarter. Other impacts include currency impacts of $76 million and negative organic contractual service margin growth of $134 million. Included in assumption changes and management actions is a $73 million reclassification of contractual service margin between segregated funds and non-participating products excluding segregated funds.

At December 31, 2023, total contractual service margin was $12.6 billion, a decrease of $488 million from December 31, 2022. The decrease was mainly driven by the impacts of assumption changes and management actions, net market impacts and negative organic contractual service margin growth. Included within the assumption changes and management actions are current quarter impacts of the reinsurance of a block of U.S. segregated fund business to a third party which reduced the contractual service margin by $289 million and annual updates and model refinements on participating business which reduced the contractual service margin by $281 million, offset by assumption changes and management actions on non-participating business excluding segregated funds of $369 million as discussed above.

Further detail on the assumption changes and management actions on non-participating business is provided in the section "Assumption Changes and Management Actions".

Other General Fund Liabilities

	As at December 31	
	2023	2022 (Restated)
Debentures and other debt instruments	$ 9,046	$ 10,509
Other liabilities	9,587	8,913
Accounts payable	3,216	2,758
Deferred tax liabilities	787	773
Derivative financial instruments	1,288	1,639
Current income taxes	137	152
Total	$ 24,061	$ 24,744

Total other general fund liabilities at December 31, 2023 were $24.1 billion, a decrease of $0.7 billion from December 31, 2022. The decrease was primarily due to a decrease of $1.5 billion in debentures and other debt instruments and a decrease of $0.4 billion in derivative financial instruments, partially offset by an increase of $0.7 billion in other liabilities and an increase of $0.5 billion in accounts payable.

Other liabilities of $9.6 billion include pension and other post-employment benefits, lease liabilities, deferred income reserve, bank overdraft and other liability balances. Refer to note 20 in the Company's December 31, 2023 annual consolidated financial statements for a breakdown of the other liabilities balance and note 18 in the Company's December 31, 2023 annual consolidated financial statements for details of the debentures and other debt instruments.

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.

In Canada, the Company offers individual segregated fund products through Canada Life. These products provide guaranteed minimum death benefits (GMDB) and guaranteed minimum accumulation on maturity benefits (GMAB).

In the U.S., the Company has a mix of open and closed blocks of group variable annuities with guaranteed minimum withdrawal benefits (GMWB) and a closed block of group standalone GMDB products which mainly provide return of premium on death. During the fourth quarter of 2023, the Company ceded a block of GMWB business in the U.S. to a third party.

In Europe, the Company offers UWP products, which are similar to segregated fund products but include minimum credited interest rates and pooling of policyholders' funds, as well as a GMWB product in Germany.

The 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 minimum level of income may increase depending upon the level of growth in the market value of the policyholder's funds. Where the market value of the policyholder's funds is ultimately insufficient to meet the level of guarantee purchased by the policyholder, the Company is obligated to make up the shortfall.

Capital and Risk Solutions has a closed portfolio of GMAB and guaranteed minimum income benefits (GMIB) that it has reinsured from other U.S. life insurance and reinsurance companies.

These products involve cash flows of which the magnitude and timing are uncertain and are dependent on the level of equity and fixed-income market returns, interest rates, currency markets, market volatility, policyholder behaviour and policyholder longevity.

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. The program methodology quantifies both the embedded option value and its sensitivity to movements in equity markets, currency markets and interest rates. Equity derivative instruments, currency derivative instruments and interest rate derivative instruments are used to mitigate changes in the embedded option value attributable to movements in equity markets, currency markets and interest rates respectively. The hedging program, by its nature, requires continuous monitoring and rebalancing to avoid over or under hedged positions. Periods of heightened market volatility will increase the frequency of hedge rebalancing.

By their nature, certain risks associated with the GMWB product either cannot be hedged or cannot be hedged on a cost-effective basis. These risks include policyholder behaviour, policyholder longevity, basis risk and market volatility. Consequently, the hedging program will not mitigate all risks to the Company associated with the GMWB products and may expose the Company to additional risks including the operational risk associated with the reliance upon sophisticated models, and counterparty credit risk associated with the use of derivative instruments.

Other risk management processes are in place aimed at appropriately limiting the Company's exposure to the risks it is not hedging or are otherwise inherent in its GMWB hedging program. In particular, the GMWB product has been designed with specific regard to limiting policyholder anti-selection, and the array of investment funds available to policyholders has been determined with a view to minimizing underlying basis risk.

Certain GMWB products offered by the Company offer levels of death and maturity guarantees. At December 31, 2023, the amount of GMWB product in-force in Canada, the U.S., Ireland and Germany was $7,343 million ($7,033 million at December 31, 2022).

Segregated fund and variable annuity guarantee exposure

	December 31, 2023				
		Investment deficiency by benefit type			
	Market Value	Income	Maturity	Death	Total[1]
Canada	$ 33,255	$ 1	$ 7	$ 55	$ 55
United States	21,327	57	—	5	62
Europe	11,761	15	—	1,264	1,264
Capital and Risk Solutions[2]	669	130	—	—	130
Total	$ 67,012	$ 203	$ 7	$ 1,324	$ 1,511

[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 December 31, 2023.

[2] Capital and Risk Solutions exposure is to markets in the U.S.

Investment deficiency at December 31, 2023 decreased by $1,182 million to $1,511 million compared to December 31, 2022, primarily as a result of the Company ceding a block of GMWB business in the U.S. segment to a third party and 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 December 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 ($4 million for the fourth 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 December 31, 2023, debentures and other debt instruments decreased by $1,463 million to $9,046 million compared to December 31, 2022.

On April 18, 2023, the Company repaid the principal amount of its maturing 2.50% €500 million senior bonds, together with accrued interest that it had pre-funded with the issuance of €500 million senior 4.7% euro bonds on November 16, 2022.

Great-West Lifeco U.S. LLC, a subsidiary of the Company, made payments on its non-revolving credit facility of U.S. $150 million on March 31, 2023, U.S. $150 million on June 30, 2023, U.S. $100 million on September 29, 2023 and U.S. $100 million on December 29, 2023. The remaining drawn balance was nil as at December 31, 2023.

Refer to note 18 in the Company's December 31, 2023 annual consolidated financial statements for further details of the Company's debentures and other debt instruments.

Capital Trust Securities

At December 31, 2023, the Company had $150 million principal outstanding of Canada Life Capital Trust Securities – Series B (CLiCS – Series B). Included in the Company's invested assets at December 31, 2023 were CLiCS – Series B with a fair value of $44 million and principal value of $37 million (fair value of $44 million at December 31, 2022).

Each holder of the CLiCS – Series B is entitled to receive a semi-annual non-cumulative fixed cash distribution of $37.645 per CLiCS – Series B, representing an annual yield of 7.529% payable out of Canada Life Capital Trust's (CLCT) distributable funds. Subject to regulatory approval, CLCT may redeem the CLiCS – Series B, in whole or in part, at any time and the CLiCS – Series B are callable at par on June 30, 2032.

Equity

Share capital outstanding at December 31, 2023 was $10.22 billion, which comprises $6 billion of common shares and $2.72 billion of preferred shares and $1.5 billion 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.

Common shares

At December 31, 2023, the Company had 932,427,987 common shares outstanding with a stated value of $6 billion compared to 931,853,110 common shares with a stated value of $5.791 billion at December 31, 2022.

The Company renewed its normal course issuer bid (NCIB) effective January 29, 2024 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 at times when the Company would ordinarily not be permitted to make purchases due to regulatory restrictions or 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 twelve months ended December 31, 2023, the Company repurchased and subsequently cancelled 6,000,000 common shares under the current NCIB at an average cost per share of $38.77.

Preferred shares

At December 31, 2023, the Company had 11 series of fixed rate First Preferred Shares and 1 series of 5-year rate reset First Preferred Shares outstanding with aggregate stated values of $2,470 million and $250 million, respectively.

The terms and conditions of the outstanding First Preferred Shares are set out in the table below:

	Great-West Lifeco Inc.					
	Series G	**Series H**	**Series I**	**Series L**	**Series M**	**Series N**
General Type	Fixed Rate	Fixed Rate	Fixed Rate	Fixed Rate	Fixed Rate	5-Year Rate Reset
Cumulative/Non-Cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Date Issued	Sep 14, 2004	Aug 12, 2005	Apr 12, 2006	Oct 2, 2009	Mar 4, 2010	Nov 23, 2010
Shares Outstanding	12,000,000	12,000,000	12,000,000	6,800,000	6,000,000	10,000,000
Amount Outstanding (Par)	$300,000,000	$300,000,000	$300,000,000	$170,000,000	$150,000,000	$250,000,000
Yield	5.20%	4.85%	4.50%	5.65%	5.80%	1.749%
Earliest Issuer Redemption Date	Dec 31, 2009	Sep 30, 2010	Jun 30, 2011	Dec 31, 2014	Mar 31, 2015	Dec 31, 2020
	Series P	**Series Q**	**Series R**	**Series S**	**Series T**	**Series Y**
General Type	Fixed Rate	Fixed Rate	Fixed Rate	Fixed Rate	Fixed Rate	Fixed Rate
Cumulative/Non-Cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Date Issued	Feb 22, 2012	Jul 6, 2012	Oct 11, 2012	May 22, 2014	May 18, 2017	Oct 8, 2021
Shares Outstanding	10,000,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000
Amount Outstanding (Par)	$250,000,000	$200,000,000	$200,000,000	$200,000,000	$200,000,000	$200,000,000
Yield	5.40%	5.15%	4.80%	5.25%	5.15%	4.50%
Earliest Issuer Redemption Date	March 31, 2017	Sep 30, 2017	Dec 31, 2017	Jun 30, 2019	Jun 30, 2022	Dec 31, 2026

The terms and conditions of the First Preferred Shares do not allow the holder to convert to common shares of the Company or to otherwise cause the Company to redeem the shares. Preferred shares issued by the Company are commonly referred to as perpetual and represent a form of financing that does not have a fixed term.

Non-Controlling Interests

The Company's non-controlling interests include participating account surplus in subsidiaries and non-controlling interests in subsidiaries. Refer to note 21 in the Company's December 31, 2023 annual consolidated financial statements for further details.

	As at December 31	
	2023	2022 (Restated)
Participating account surplus in subsidiaries:		
Canada Life	$ 2,844	$ 2,733
Empower	3	1
	$ 2,847	$ 2,734
Non-controlling interests in subsidiaries	$ 168	$ 152

At December 31, 2023, the carrying value of non-controlling interests increased by $129 million to $3,015 million compared to December 31, 2022. For the twelve months ended December 31, 2023, net earnings attributable to participating account before policyholder dividends were $1,841 million and policyholder dividends were $1,818 million.

Liquidity and Capital Management

Liquidity

Total Liquid Assets

	On-balance sheet assets	Non-liquid/ Pledged	Net liquid assets
As at December 31, 2023			
Cash, cash equivalents and short-term bonds			
Cash and cash equivalents[1]	$ 7,742	$ 12	$ 7,730
Short-term bonds[2]	5,876	—	5,876
Sub-total	$ 13,618	$ 12	$ 13,606
Other assets and marketable securities			
Government bonds[2]	$ 38,369	$ 10,639	$ 27,730
Corporate bonds[2]	112,806	53,800	59,006
Stocks[1]	15,733	4,134	11,599
Mortgage loans[1]	38,414	35,500	2,914
Sub-total	$ 205,322	$ 104,073	$ 101,249
Total	$ 218,940	$ 104,085	$ 114,855
As at December 31, 2022 (Restated)			
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 December 31, 2023 was $157.1 billion ($156.1 billion at December 31, 2022). Refer to the consolidated balance sheet in the Company's December 31, 2023 annual consolidated financial statements 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 December 31, 2023, the Company and its operating subsidiaries held liquid cash, cash equivalents and short-term bonds of $13.6 billion ($11.4 billion at December 31, 2022) and other liquid assets and marketable securities of $101.2 billion ($102.6 billion at December 31, 2022). Included in the cash, cash equivalents and short-term bonds at December 31, 2023 was $0.5 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. Refer to note 7(b) in the Company's December 31, 2023 annual consolidated financial statements for additional detail.

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. In 2023, the Company's main operating subsidiaries made cash payments to the holding company in the form of dividends in the amount of $3.5 billion ($2.1 billion in 2022).

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. Refer to the "Liquidity Risk" section of this document for additional information.

Cash Flows

Cash flows

	For the three months ended December 31		For the twelve months ended December 31	
	2023	2022 (Restated)	**2023**	2022 (Restated)
Cash flows relating to the following activities:				
Operations[1]	$ 2,118	$ (1,372)	$ 5,203	$ 3,772
Financing	(598)	35	(3,550)	(620)
Investment[1]	(655)	(22)	(786)	(2,218)
	865	(1,359)	867	934
Effects of changes in exchange rates on cash and cash equivalents	(74)	13	(40)	281
Increase (decrease) in cash and cash equivalents in the period	791	(1,346)	827	1,215
Cash and cash equivalents, beginning of period	7,326	8,636	7,290	6,075
Cash and cash equivalents from continuing and discontinued operations, end of period	$ 8,117	$ 7,290	$ 8,117	$ 7,290
Cash and cash equivalents from discontinued operations, end of period[2]	375	—	375	—
Cash and cash equivalents from continuing operations, end of period	$ 7,742	$ 7,290	$ 7,742	$ 7,290

1 The cash flows related to the sales, maturities, repayments and purchases of portfolio investments have been reclassified to the Operations section to align with the Company's practice of managing the matching of general fund assets with insurance and investment contract liabilities. This activity had previously been presented in the Investment Activities section.

2 On January 1, 2024, Lifeco completed the sale of Putnam Investments to Franklin Templeton. Beginning in Q2 2023, the cash flows related to the discontinued operations have been presented separately.

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. 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.

In the fourth quarter of 2023, cash and cash equivalents increased by $791 million from September 30, 2023. Cash flows provided by operations during the fourth quarter of 2023 were $2,118 million, a increase of $3,490 million compared to the fourth quarter of 2022, primarily due to net sales of portfolio investments compared to net investments in the prior year. Cash flows used by financing activities of $598 million were primarily used for payment of dividends to common and preferred shareholders and repayment of a line of credit of a subsidiary. Cash flows from investment activities were $655 million primarily used for business acquisitions.

For the twelve months ended December 31, 2023, cash and cash equivalents increased by $827 million from December 31, 2022. Cash flows provided by operations were $5,203 million, an increase of $1,431 million compared to the same period last year, primarily due to the same reason discussed for the in-quarter results partially offset by less favourable fair value changes compared to the prior year. Cash flows used by financing activities of $3,550 million were primarily used for the same reasons discussed for the in-quarter results as well as the repayment of the principal amount of the Company's maturing 2.5% €500 million senior bonds. Cash flows from investment activities were $786 million primarily used for the same reasons discussed for the in-quarter results.

Commitments/Contractual Obligations

In the normal course of business the Company enters into contracts that give rise to commitments of future minimum payments that impact short-term and long-term liquidity. The following summarizes the principal repayment schedule for certain of the Company's financial liabilities. The table below does not include commitments of insurance and investment contract liabilities. Refer to the "Market and Liquidity Risk" section of this document for additional information regarding insurance and investment contract liabilities.

		Payments due by period						
As at December 31, 2023		Total	1 year	2 years	3 years	4 years	5 years	Over 5 years
1)	Debentures and other debt instruments	$ 8,759	$ —	$ 665	$ 730	$ 532	$ 999	$ 5,833
2)	Lease obligations	423	61	51	49	47	40	175
3)	Purchase obligations	1,134	305	227	176	121	54	251
4)	Credit-related arrangements							
	(a) Contractual commitments	6,411	6,327	61	15	1	—	7
	(b) Letters of credit	see note 4(b) below						
5)	Pension contributions	225	225	—	—	—	—	—
Total contractual obligations		$ 16,952	$ 6,918	$ 1,004	$ 970	$ 701	$ 1,093	$ 6,266

1) Refer to note 18 in the Company's December 31, 2023 annual consolidated financial statements. Excluded from debentures and other debt instruments are unamortized transaction costs.

2) For a further description of the Company's lease obligations, refer to note 20 in the Company's December 31, 2023 annual consolidated financial statements.

3) Purchase obligations are commitments to acquire goods and services, essentially related to information services.

4) (a) Contractual commitments are essentially commitments of investment transactions made in the normal course of operations in accordance with policies and guidelines that are to be disbursed upon fulfillment of certain contract conditions.

(b) Letters of credit (LC) are written commitments provided by a bank. The total amount of LC facilities is US$1,920 million of which US$1,111 million were issued as of December 31, 2023.

The Reinsurance business unit periodically uses LC as collateral under certain reinsurance contracts for on-balance sheet policy liabilities.

The Company may be required to seek collateral alternatives if it is unable to renew existing LCs on maturity.

A total of US$828 million has been issued to subsidiaries or branches of Canada Life and the additional US$70 million has been issued to Great-West Life & Annuity Insurance Company of South Carolina.

The remaining US$213 million has been issued to external parties. Clients residing in the United States are required pursuant to their insurance regulations to obtain LCs issued on the Company's behalf from approved banks in order to further secure the Company's obligations under certain reinsurance contracts.

5) Pension contributions include funding estimates for defined benefit pension plans, defined contribution pension plans and other post-employment plans. These contributions are subject to change, as contribution decisions are affected by many factors including market performance, regulatory requirements and management's ability to change funding policy. Funding estimates beyond 2024 are excluded due to the significant variability in the assumptions required to project the timing of future contributions.

Capital Management and Adequacy

The Board of Directors reviews and approves an annual capital plan as well as capital transactions undertaken by management pursuant to the plan. The capital plan is designed to ensure that the Company maintains adequate capital, taking into account the Company's strategy, risk profile and business plans. 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. In addition to undertaking capital transactions, the Company uses and provides traditional and structured reinsurance to support capital and risk management.

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 December 31, 2023 was 128%. The LICAT Ratio does not take into account any impact from $0.5 billion of liquidity at the Lifeco holding company level at December 31, 2023 ($0.5 billion at September 30, 2023).

The following provides a summary of the LICAT information and ratios for Canada Life:

LICAT Ratio

	Dec. 31 2023	Sept. 30 2023	Dec. 31 2022 (Restated)
Tier 1 Capital	$ 18,285	$ 18,520	
Tier 2 Capital	5,223	5,292	
Total Available Capital	23,508	23,812	
Surplus Allowance & Eligible Deposits	5,406	4,793	
Total Capital Resources	$ 28,914	$ 28,605	
Required Capital	$ 22,525	$ 22,364	
Total Ratio (OSFI Supervisory Target = 100%)[1]	128 %	128 %	
Proforma IFRS 17 Total Ratio (OSFI Supervisory Target = 100%)[1,2]			130 %

1 Total Ratio (%) = (Total Capital Resources / Required Capital)

2 Proforma estimates of the Canada Life 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

The LICAT Ratio at December 31, 2023 remained stable with the prior quarter result at 128%. The acquisition of IPC in Canada reduced the ratio by approximately three points which was offset by market impacts and business activity in the quarter which included reinsurance of an inforce U.K. annuity portfolio, which added approximately two points.

Empower, Lifeco's regulated U.S. operating company, has established an internal target Risk-Based Capital (RBC) ratio of 400-425% of the Company Action Level set by the National Association of Insurance Commissioners, based upon an assessment of the risks within its businesses as well as business needs to support future growth. Accordingly, Empower's target RBC ratio may change as future risks and business needs change. Empower reports its RBC ratio annually to U.S. Insurance Regulators. The RBC ratio is included for information only and is not intended as a means to rank insurers generally or for any other purposes. At December 31, 2023 Empower's RBC ratio is estimated to be in excess of 450%.

LICAT Interest Rate Scenario Shift

There was no new shift in the interest rate scenario applied in the LICAT calculation this quarter. Previous interest rate scenario shifts have now been fully smoothed into the Canada Life LICAT result.

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 point and have been prepared on an IFRS 17 basis under the LICAT 2023 OSFI Guideline.

Publicly Traded Common Stocks

The following table sets out the estimated immediate impact to Canada Life's consolidated LICAT Ratio of certain changes in publicly traded common stock values as at December 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	**December 31, 2023**			
	20% increase	**10% increase**	**10% decrease**	**20% decrease**
Potential change to LICAT Ratio	0 point	0 point	0 point	(1 point)

Other Non-Fixed Income

The following table sets out the estimated immediate impact to Canada Life's consolidated LICAT Ratio of certain changes in the value of real estate and private equity investments as at December 31, 2023. These sensitivity estimates assume instantaneous shocks. These estimates are illustrative as actual exposures may vary due to active management of these investment holdings.

Immediate change in other non-fixed income	**December 31, 2023**	
	10% increase	**10% decrease**
Potential change to LICAT Ratio	1 point	(1 point)

Interest Rates

Canada Life's consolidated LICAT Ratio will generally reduce 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 due to the Company's ALM strategies that seek to reduce LICAT interest rate sensitivity. 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	**December 31, 2023**	
	50 bps increase	**50 bps decrease**
Potential change to LICAT Ratio	0 point	0 point

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 this and other developments.

Return on Equity (ROE)[1]

	Dec. 31 2023	Sept. 30 2023	Dec. 31 2022 (Restated)
Base Return on Equity[2] by Segment			
Canada	16.9 %	16.5 %	17.3 %
United States[3]	11.6 %	11.4 %	9.5 %
Europe	16.7 %	17.3 %	17.3 %
Capital and Risk Solutions	49.5 %	44.7 %	42.9 %
Total Lifeco Base Earnings Basis[2]	16.6 %	16.4 %	15.8 %
Return on Equity[1] by Segment - Continuing Operations			
Canada	14.0 %	16.9 %	21.2 %
United States	7.4 %	7.1 %	5.5 %
Europe	8.2 %	3.0 %	24.6 %
Capital and Risk Solutions	52.0 %	37.5 %	38.9 %
Total Lifeco Net Earnings - Continuing Operations Basis[1]	12.4 %	11.2 %	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.

3 Comparative results are restated to exclude the net earnings (losses) from discontinued operations related to Putnam Investments.

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 the United States, 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[6] 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 fourth quarter of 2023, the existing credit ratings for Lifeco and its major operating subsidiaries were unchanged. 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 fourth quarter of 2023.

Rating agency	Measurement	Lifeco	Canada Life	Irish Life	Empower
A.M. Best Company	Financial Strength		A+		A+
Morningstar DBRS	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-		

6 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.

Risk Management and Control Practices

Risk Management Overview

As a diverse financial services company, the effective management of risk is integral to the success of the Company's business. The Company is committed to a comprehensive system of risk management, which is embedded across all business activities, operated through a three lines of defense model and overseen by the Board of Directors. The Company's three lines of defense include business unit and support functions, oversight functions including actuarial, finance, risk and compliance, and the Company's internal audit function. The Company has a prudent and measured approach to risk management. This approach is built on a strong risk culture and is guided by an integrated Enterprise Risk Management (ERM) Framework.

The Company's 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 any potential losses and risks. 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.

Although the Company takes steps to anticipate and minimize risks as appropriate, no risk management framework can guarantee that all risks will be identified, appreciated or mitigated effectively. Unforeseen future events may have a negative impact on the Company's business, financial condition and results of operations.

There are three main sections to this Risk Management disclosure: ERM Framework, Risk Management and Control Practices and Exposures and Sensitivities.

Enterprise Risk Management Framework

The Company's Board and Management Committees provide oversight of the ERM Framework which is comprised of five components: Risk Culture, Risk Governance, RAF, Risk Processes and Risk Infrastructure & Policies.

Risk Culture

Risk culture is defined as the system of norms, values, attitudes and behaviours that influences and informs risk decision-making. Our risk culture reflects the Company's collective sense of responsibility to fulfill our commitments and promises to our stakeholders. Our risk culture is guided by our corporate purpose and core values with a customer first approach. We safeguard our financial strength and strong reputation while growing shareholder value in a manner that balances the interests of all stakeholders.

This culture is instilled through a mindset of risk awareness as demonstrated by:

- Consistent tone from the Board, senior management and throughout the organization in respect of behavioural and ethical expectations, and alignment of business decisions with business strategies, corporate purpose, core values and risk appetite;
- Recognition that risk is inherent in our business success and reflects opportunity when appropriately managed;
- Individual and shared commitment to the importance of continuous management of risk, including clear accountability for and ownership of specific risks and risk areas;
- Rewarding positive risk taking and management behaviours while challenging and remediating those that are inconsistent with corporate purpose, core values or risk appetite;

- Encouragement of risk event reporting and the presence of robust whistleblowing processes, actively seeking to learn from mistakes and near misses;
- Accountability to all stakeholders; and
- Recognition that risk management is a responsibility of all employees, officers and directors, both individually and collectively; risk management skills and knowledge are developed and core to our ongoing success; effective challenge is expected and respected across all business operations and all three lines of defense. Oversight and assurance functions are valued and appropriately resourced throughout the organization.

Risk Governance

Risk governance sets out the roles and responsibilities for the Board of Directors (Board) and Board Committees.

Board of Directors

The mandate of the Board, which it discharges directly or through one of its Committees, is to supervise the management of the business and affairs of the Company. The Board is ultimately accountable and responsible for the governance and oversight of risk throughout the Company. The Board annually approves the strategic goals, objectives, plans and initiatives for Lifeco, and in so doing reviews the risks associated with Lifeco's diverse business, strategic goals and high priority initiatives. Key risk responsibilities include:

- Approving the ERM Policy and RAF;
- Monitoring the implementation and maintenance by management of appropriate systems, policies, procedures and controls to manage the risks associated with the Company's businesses and operations;
- Annually approving Lifeco's business, financial and capital plans and monitoring the implementation by management thereof;
- Upon the recommendation of the Risk Committee, adopting a Code of Conduct applicable to Directors, officers and employees of the Company;
- Periodically approving policies designed to support independence of the Risk, Finance, Actuarial and Compliance oversight functions as well as the Internal Audit assurance function; and
- Overseeing the Company's environmental, social and governance (ESG) strategy, monitoring management's execution against this strategy and reviewing the related impacts, risks, initiatives and reporting.

Risk Committee

The Risk Committee of the Board of Directors is responsible for assisting the Board with risk management oversight and governance throughout the Company. The Risk Committee's responsibilities:

- Review and oversight of the ERM Policy and RAF;
- Review, approval and oversight of the credit, market and liquidity, insurance, operational, conduct, strategic and other risk policies;
- Approval of the risk limit framework, associated risk limits and monitoring adherence to those limits;
- Discussion of the risks in aggregate and by type of risk, including actions taken or planned to mitigate those risks where appropriate;
- Review relevant reports including stress testing and Financial Condition Testing;
- Review and approval of the Own Risk and Solvency Assessment (ORSA) Report;
- Periodic approval of the Recovery Plan Playbook;
- Advise the Board of any developments that would materially alter the risk profile;
- Review of the risk impact of business strategies, capital plans, financial plans and new business initiatives;
- Review and monitoring of compliance with the Company's Code of Conduct;
- Periodic consideration and input regarding the relationships between risk and compensation; and
- Review and assessment of the effectiveness of risk management across the Company including processes to ensure effective identification, measurement, management, monitoring and reporting on significant current and emerging risks;
- Approval of the organizational and reporting structures, budget and resources of the Risk and Compliance functions; and
- Review and approval of the mandate for and assessment of the performance of the Company's CRO, CCO and the effectiveness of the Risk and Compliance functions.

The Risk Committee is required to meet, at least annually, with the Audit Committee and with the Company's Chief Internal Auditor. The Risk Committee meets with the Investment Committee as appropriate. Members of the Risk Committee are independent of management.

Audit Committee

The primary mandate of the Audit Committee is to review the financial statements of the Company and public disclosure containing financial information and to report on such reviews to the Board, to be satisfied that adequate procedures are in place for the review of the Company's public disclosures containing financial information and to oversee the work and review the independence of the external auditor. The Audit Committee is also responsible for reviewing, evaluating and approving the internal control procedures that are implemented and maintained by management. The Audit Committee meets as often as necessary to discharge its duties and responsibilities and meets at least annually with the Risk Committee. Members of the Audit Committee are independent of management.

Conduct Review Committee

The primary mandate of the Conduct Review Committee is to require management to establish satisfactory procedures for the consideration and approval of transactions with related parties and to review and, if deemed appropriate, to approve related party transactions in accordance with such procedures. Members of the Conduct Review Committee are independent of management.

Governance and Nominating Committee

The primary mandate of the Governance and Nominating Committee is to oversee the Company's approach to governance matters, to recommend to the Board effective corporate governance policies and processes, to assess the effectiveness of the Board, Board Committees and the Directors and to recommend to the Board candidates for election as Directors and candidates for appointment to Board Committees.

Human Resources Committee

The primary mandate of the Human Resources Committee is to support the Board in its oversight of compensation, talent management and succession planning. This includes the responsibility to approve compensation policies, to review the design of major compensation programs, to approve compensation arrangements and any benefit or perquisite plan for senior executives of the Company and to recommend to the Board compensation arrangements for the Directors and for the President and Chief Executive Officer. The mandate also includes the responsibility to review succession plans for the President and Chief Executive Officer and other senior executives, to review talent management programs and initiatives and to review the leadership capabilities required to support the advancement of the Company's strategic objectives. The Human Resources Committee is also responsible for considering the implications of the risks associated with the Company's compensation policies, plans and practices and in doing so meets annually with the Chief Risk Officer.

Investment Committee

The primary mandate of the Investment Committee is to oversee the Company's global investment strategy and activities, including approving the Company's Investment Policy and monitoring the Company's compliance with the Investment Policy. The global investment strategy includes climate-related transition risks and opportunities such as cleaner energy sectors that could impact our investment growth strategies. The mandate also includes reviewing the Company's annual investment plan and monitoring emerging risks, market trends and performance, investment regulatory issues and any other matters relevant to the oversight of the Company's global investment function. The Investment Committee meets as often as necessary to discharge its duties and responsibilities and meets with the Risk Committee as appropriate.

Reinsurance Committee

The primary mandate of the Reinsurance Committee is to advise on the Company's reinsurance transactions. The mandate also includes reviewing and approving management's recommendations with respect to policies applicable to reinsurance.

Senior Management Risk Committees

The Executive Risk Management Committee (ERMC) is the primary senior management committee that oversees all forms of risk and the implementation of the ERM Framework. The members are the CEO, the heads of each major business segment, the heads of key oversight functions and heads of support functions as appropriate. The Company's CRO leads the Risk Function and chairs the ERMC. The ERMC responsibilities include reviewing compliance with the RAF, risk policies and risk standards. It also assesses the risk impact of business strategies, capital and financial plans and material initiatives. The Board Risk Committee delegates authority for the approval and management of lower level risk limits to the ERMC. The following three enterprise-wide sub-committees, chaired by the Risk Function, report to the ERMC to provide advice and recommendations on each of the key risk categories:

- Market and Credit Risk Committee
- Insurance Risk Committee
- Operational Risk Committee

The oversight responsibilities of the above Committees include identification, measurement, management, monitoring and reporting of their respective risks. In addition, each business segment has established its own executive risk management committee providing oversight for all forms of risk and the implementation of the ERM Framework.

Accountabilities

The Company has adopted a Three Lines of Defense model to clearly segregate risk management and risk oversight responsibilities and applies the ERM Framework rigorously across the enterprise.

- **First Line:** Business units and business support functions, including Investment Management, Human Resources, Information Services and Legal, are the ultimate owners of risk and have primary risk management as well as risk-taking responsibility and accountability through day-to-day operations within ongoing business processes.

- **Second Line:** The Risk Function has the primary and overall responsibility and accountability for independent oversight and effective challenge of risk-taking and risk management of the first line of defense. In this role, the Risk Function receives support from other oversight functions including Actuarial, Compliance and Finance; and
- **Third Line:** Internal Audit is responsible for independent assurance of the adequacy of the design and operational effectiveness of the Company's ERM Framework.

The Company's CRO reports directly, both to the President and Chief Executive Officer and to the Board Risk Committee. The CRO is responsible for ensuring that the Risk Function is appropriately resourced and effective in executing its responsibilities. The accountabilities of the CRO include reporting on compliance with the ERM Policy and RAF as well as for escalating matters that require attention.

Business segment ERMCs monitor all risk categories for businesses and operations within their respective business segments. Risk resources and capabilities are aligned with the Company's business segments and operating units and further support is provided by centrally based risk areas of expertise.

Risk Appetite Framework

The Company has an articulated Risk Appetite Framework (RAF) that includes the following elements along with the associated governance structure:

- **Risk Strategy:** Risk philosophy of the Company that links to the business strategy.
- **Risk Appetite Statement:** Reflects the aggregate level of risk and types of risk that the Company is willing to accept to achieve its business objectives.
- **Risk Preference:** Qualitative description of risk tolerances.
- **Risk Limit Framework:** Quantitative components of the RAF including excess and escalation process.

Risk Strategy

Our main purpose is to help our customers achieve financial security and well-being while keeping our commitments and growing shareholder value. Effective and efficient risk management is key to achieving these aims. This is achieved by:

- Establishing a risk awareness culture that is ingrained in all business activities with a risk governance model based on three lines of defense. Business units have full accountability for all risk-taking decisions. The Risk Function has primary responsibility for independent risk oversight and effective challenge within the second line of defense. As the third line of defense, Internal Audit provides independent assurance over the Company's ERM Framework.
- Employing a prudent and measured approach to risk-taking;
- Conducting business to safeguard the Company's reputation and deliver fair customer outcomes through maintaining high standards of integrity based on the employee Code of Conduct and sound sales and marketing practices; and
- Generating returns to grow shareholder value through profitable and growing operations while maintaining a strong balance sheet.

Risk Appetite Statement

The Company's Risk Appetite Statement has four key components:

- **Strong Capital Position:** The Company intends to maintain a strong balance sheet and not take risks that would jeopardize its financial strength;
- **Mitigated Earnings Volatility:** The Company seeks to avoid substantial earnings volatility through appropriate diversification and limiting exposure to more volatile lines of business;
- **Strong Liquidity:** The Company intends to maintain a high quality, diversified investment portfolio with sufficient liquidity to meet the demands of policyholder and financing obligations under normal and stressed conditions; and
- **Treating Customers Fairly and Maintaining the Company's Reputation:** The Company seeks to maintain a high standing and positive reputation with all stakeholders including its customers, counterparties, creditors and other stakeholders. This includes building and maintaining trust, fair treatment of customers, consideration of corporate social responsibility, and effective management of sustainability and reputational risks.

Risk Preference

The Company has established qualitative risk preferences for each risk type. Each risk is assigned a risk preference level, in the context of understanding and managing these risks. The current level of exposure is regularly measured and risk tolerances are expressed quantitatively through actual constraints to the Company's risk profile within pre-agreed limits. Maximum guidelines are established to monitor risk concentration and inform the risk limit setting process.

Risk Limit Framework

A comprehensive structure of risk limits and controls is in place across the Company. Enterprise risk limits are further broken down by business unit and risk type. The limit structure is accompanied by comprehensive limit approval and excess management processes to ensure effective governance and oversight of the RAF.

The Company and its subsidiaries are subject to various regulatory regimes. The capital requirements under these regulatory capital regimes are reflected in the development of risk limits. Business units are responsible for operating within the risk appetite and the risk limit framework and satisfying local requirements as needed.

Risk Processes

Risk processes follow a cycle of identification, measurement, management, monitoring and reporting and are designed to ensure both current and emerging risks are assessed against the RAF.

Risk Identification, Measurement and Management

Risk identification requires the structured analysis of the current and emerging risks facing the Company, so that they are understood and appropriately managed. Processes are designed to ensure risks are considered, assessed, prioritized and addressed in all business initiatives, operations and changes, including investment strategies, product design, significant transactions, annual planning and budgeting as well as potential business acquisitions and disposals.

Risk measurement provides the means to quantify and assess the Company's risk profile and monitor the profile against the risk limits. Any material new business development or change in strategy warrants an independent assessment of risk and potential impact on reputation, in addition to measurement of the impact on capital, earnings and liquidity. Stress and scenario testing is used to evaluate risk exposures against the risk appetite. Sensitivity testing of key risks is used to evaluate the impact of risk exposures independent of other risks. Scenario testing is used to evaluate the combined impact of multiple risk exposures.

The Company has processes in place to identify risk exposures on an ongoing basis and, where appropriate, develops mitigation strategies to proactively manage these risks. Effective risk management requires the selection and implementation of approaches to accept, reject, transfer, avoid or control risk, including mitigation plans. It is based on a control framework for financial and non-financial risks that includes risk limits, Risk Function Indicators (RFIs) and stress and scenario testing to ensure appropriate escalation and resolution of potential issues in a timely manner.

A key responsibility of the Risk Function is to ensure that the risk appetite is applied consistently across the Company and that limits are established to ensure that risk exposures comply with the risk appetite and Company-wide risk policies. The Risk Function provides ongoing and independent challenge to the first line of defense. In addition, in the event of a significant internal or external change that could introduce new risks or heighten existing risks that could materially impact the business, the Risk Function provides a formal Risk Opinion or thematic review.

Risk Monitoring, Reporting and Escalation

Risk monitoring relates to ongoing oversight and tracking of the Company's risk exposures, ensuring that the risk management approaches in place remain effective. Monitoring may also identify risk-taking opportunities.

Risk reporting presents an accurate and timely picture of existing and emerging risk issues and exposures as well as their potential impact on business activities. Reporting highlights the risk profile relative to the risk appetite and associated risk limits.

A clearly defined escalation protocol is in place to address any excesses against thresholds or limits established by the RAF, risk policies, operating standards and guidelines. Remediation plans are reviewed and monitored by the Risk Function and escalated to designated management and Board committees, as appropriate.

Risk Infrastructure and Policies

The Company's organization and infrastructure is established to provide resources and risk systems to support adequate and appropriate risk policies, operating standards and guidelines and processes. The Company endeavours to take a consistent approach to risk management across key risk types.

The Company has codified its procedures and operations related to risk management and oversight requirements in a set of guiding documents composed of risk policies, operating standards and associated guidelines. This comprehensive documentation framework provides detailed and effective guidance across all risk management processes. These documents enable a consistent approach to risk management and oversight across the Company's businesses and are reviewed and approved regularly, in accordance with an established authority hierarchy, by the Board of Directors, the Board Risk Committee or a senior management committee, as appropriate. Similar policy structures have been developed and are maintained by each business segment.

Risk Management and Control Practices

The Company's risk profile is impacted by a variety of risks and its risk management and independent oversight processes are tailored to the type, volatility and magnitude of each risk. The Company has defined specific risk management and oversight processes for risks, broadly grouped in the following categories:

1. Market and Liquidity Risk
2. Credit Risk
3. Insurance Risk
4. Operational Risk
5. Conduct Risk
6. Strategic Risk

Market and Liquidity Risk

Risk Description

Market risk is the risk of loss resulting from potential changes in market rates and prices in various markets such as for interest rates, real estate, currency, common shares and commodities. Exposure to this risk results from business activities including investment transactions which create on-balance sheet and off-balance sheet positions.

Liquidity risk is the risk of the Company's inability to generate the necessary funds to meet its obligations as they come due, including off-balance sheet commitments and obligations.

Market and Liquidity Risk Management

The Company's Market & Liquidity Risk Policy sets out the market and liquidity risk management framework and principles. This policy is supported by other policies and guidelines that provide detailed guidance.

A governance structure has been implemented for the management of market and liquidity risk. The business units, including Investment Management, are the ultimate owners of market and liquidity risk and as such have primary responsibility for the identification, measurement, management, monitoring and reporting. The Company has established a senior management committee to provide oversight of market and liquidity risk, which includes completing reviews and making recommendations regarding risk limits, the risk policy and associated compliance, excess management and mitigation pertaining to market and liquidity risk. Each business segment has established oversight committees and operating committees to help manage market and liquidity risk within the segment. The Company has developed risk limits, RFIs and other measures to support the management of market and liquidity risk in compliance with the Company's RAF. The Risk Function works with the business units and other oversight functions to identify current and emerging market and liquidity risks and take appropriate action, if required.

The Company is willing to accept market and liquidity risk in certain circumstances as a consequence of its business model and seeks to mitigate the risks wherever practical. A wide range of risk mitigation techniques are used in practice to manage market risks, including (but not limited to) derivatives-based hedging. Hedging programs are grouped by product-level hedging, tactical portfolio hedging and macro-hedging. A general macro equity hedging program has been established. The macro hedge program is contingent and only executed in circumstances and at levels determined by the Company. To reduce liquidity risk, the Company seeks to maintain a high quality, diversified investment portfolio with sufficient liquidity to meet demands of policyholders and financing obligations under normal and stress conditions.

Risks and risk management activities associated with the broad market and liquidity risk categories are detailed below.

Interest Rate Risk

Interest rate risk is the risk of loss resulting from the effect of the volatility and uncertainty of future interest rates on asset cash flows relative to liability cash flows and on assets backing surplus. This also includes changes in the amount and timing of cash flows related to asset and liability optionality, including interest rate guarantees and book value surrender benefits in the liabilities.

The Company's principal exposure to interest rate risk arises from certain general fund and segregated fund products. The Company's Asset Liability Management (ALM) strategy has been designed to mitigate interest rate risks associated with general fund products, with the general approach being to match asset cash flows and insurance and investment contract obligations. Products with similar risk characteristics are grouped when aggregating and managing of the Company's ALM positions. Asset portfolios supporting insurance and investment contract liabilities are segmented to align with the duration and other characteristics (e.g. liquidity) of the associated liabilities.

A feature of some general fund products is to grow the account values of the underlying policies through crediting rates, or in the case of participating policies, through policyholder dividends (described in the Participating Account Management Policy). Crediting rates within non-participating general fund products are set taking into account interest rate risk and a significant proportion of the Company's portfolio of crediting rate products allow for the risk and returns to be shared with policyholders. Similarly, participating policies allow risks and returns to be shared with policyholders. However, a rapid rise in interest rates may adversely impact the Company as a result of potential losses associated with early disposal of fixed income securities to meet contractual surrender benefits.

The Company seeks to mitigate this risk through a combination of product design and investment strategies. Surrender terms are set out in underlying contracts and in the case of group contracts depend on whether an exit is driven by a plan or a plan participant, and the nature of a participant's exit. For example, plan terminations may be subject to delay conditions and discretionary withdrawals may have market value adjustments for exits payable immediately. In addition, the Company maintains a high quality, diversified investment portfolio with a spread of asset maturities by year.

A prolonged low interest rate environment may adversely impact the Company's earnings and capital and could impact the Company's business strategy. During periods of prolonged low interest rates, investment earnings may be lower because the interest earned on new fixed income investments will likely have declined with the market interest rates, and hedging costs may increase. Also, early repayment on investments held such as mortgage-backed securities, asset-backed securities, and callable bonds, may be experienced and proceeds forced to be reinvested at lower yields, which will reduce investment margins. Low interest rate environments impact capital requirements associated with guaranteed products (e.g., Canada Participating products), with non-linear sensitivity to market movements (increases as interest rates decrease). The Company attempts to mitigate this risk with hedging.

The Company has established a range of product-level hedging programs to hedge interest rate risk sensitivity. The most material programs are associated with segregated fund and variable annuity guarantees. These dynamic hedging programs are designed to offset changes in the economic value of liabilities using derivative instruments. The Company's approach to dynamic hedging of interest rate risk principally involves transacting in interest rate swaps. The hedge asset portfolios are dynamically rebalanced within approved thresholds and rebalancing criteria.

Where the Company's insurance and investment products have benefit or expense payments that are dependent on inflation (e.g. inflation-indexed annuities, pensions and disability claims), the Company generally invests in real return instruments to mitigate changes in the real dollar liability cash flows.

Equity Risk

Equity risk is the risk of loss resulting from the sensitivity of the value of assets, liabilities, financial instruments and fee revenue to changes in the level or in the volatility of market prices of common shares and real estate. Real estate losses can arise from fluctuations in the value of or future cash flows from the Company's investment in real estate. Equity risk includes risks associated with the Company's general fund assets and investments on account of segregated fund policyholders.

The Company's principal exposure to equity risk arises from segregated funds and fee income associated with the Company's assets under management. Approved investment and risk policies also provide for general fund investments in equity markets within defined limits.

The Company has established dynamic hedging programs to hedge equity risk sensitivity associated with segregated fund and variable annuity guarantees. The hedging programs are designed to mitigate exposure to changes in the economic value of these liabilities using derivative instruments. The Company's approach to dynamic hedging of equity risk principally involves the short selling of equity index futures. The hedge asset portfolios are dynamically rebalanced within approved thresholds and rebalancing criteria.

The Company's product-level hedging programs are supplemented by a general macro hedging strategy. The macro hedge program is contingent and only executed in circumstances and at levels determined by the Company. The objective of the program is to reduce the Company's exposure to equity tail-risk and to maintain overall capital sensitivity to equity market movements within Board approved risk appetite limits. The program is designed to hedge a portion of the Company's capital sensitivity due to movements in equity markets arising from sources outside of dynamically hedged segregated fund and variable annuity exposures. During the year, there were no macro hedge transactions executed and no assets supporting the macro hedge program.

For certain very long-dated liabilities it is not practical or efficient to closely match liability cash flows with fixed-income investments. Therefore, certain long-dated asset portfolios target an investment return sufficient to meet liability cash flows over the longer term. From an economic perspective, these liabilities are partially backed by a diversified portfolio of non-fixed income investments, including equity and real estate investments, in addition to long dated fixed-income instruments.

Foreign Exchange Risk

Foreign exchange risk is the risk of loss resulting from changes in currency exchange rates against the reporting currency. The Company's foreign exchange investment and risk management policies and practices are to match the currency of the Company's general fund investments with the currency of the underlying insurance and investment contract liabilities. To enhance portfolio diversification and improve asset liability matching, the Company may use foreign exchange derivatives to mitigate currency exchange risk to the extent this is practical using forward contracts and swaps.

The Company has net investments in foreign operations. As a result, the Company's revenue, expenses and income denominated in currencies other than the Canadian dollar are subject to fluctuations due to the movement of the Canadian dollar against these currencies. Such fluctuations affect the Company's financial results. The Company has exposures to the U.S. dollar resulting from the operations of Empower in the United States and the Reinsurance business unit within the Capital and Risk Solutions segment; and to the British pound and the euro resulting from operations of business units within the Europe and Capital and Risk solutions segments operating in the U.K., the Isle of Man, Ireland and Germany.

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 (loss). Strengthening or weakening of the Canadian dollar end-of-period market rate compared to the U.S. dollar, British pound and euro end-of-period market rates impacts the Company's total share capital and surplus. Correspondingly, the Company's book value per share and capital ratios monitored by rating agencies are also impacted.

Management may use forward foreign currency contracts and foreign currency denominated debt to mitigate the volatility arising from the movement of currency rates as they impact the translation of net investments in foreign operations. The Company uses non-GAAP financial measures such as constant currency calculations to assist in communicating the effect of currency translation fluctuation on financial results.

- A 5% appreciation (depreciation) of the average exchange rate of the Canadian dollar to each of the U.S. dollar, euro and British pound would decrease (increase) net earnings in 2023 by $$61 million, $29 million and 8 million, respectively.
- A 5% appreciation (depreciation) of the Canadian dollar end-of-period market rate compared to each of the U.S. dollar, British pound and euro end-of-period market rates would decrease (increase) the unrealized foreign currency translation gains[7], in accumulated other comprehensive income (loss) of shareholders' equity by approximately $496 million, $169 million and $66 million, respectively, as at December 31, 2023.

Liquidity Risk

The Company's liquidity risk management framework and associated limits are designed to allow the Company to meet cash and collateral commitments as they fall due, both on an expected basis and under a severe liquidity stress.

[7] Unrealized foreign currency translation gains (losses) include the impact of instruments designated as hedges of net investments on foreign operations.

Under a severe liquidity stress, additional cash and collateral requirements could primarily arise from increased policyholder termination rates, derivative collateral demands, reinsurance obligations and the extension or renewal of loans at maturity. For example, a rapid rise in interest rates may encourage holders of certain types of policies to terminate their policies, thereby placing demands on the Company's liquidity position (refer to the "Interest Rate Risk" section of this document for additional details). In addition, the majority of liquid assets and other marketable securities comprise fixed-income securities whose value decrease when interest rates rise. The Company attempts to mitigate liquidity risk through product design; and maintaining a high quality, diversified investment portfolio with a spread of asset maturities by year.

Approximately 68% of insurance and investment contract liabilities (measured based on carrying value and excluding liabilities held on account of segregated fund holders) are subject to discretionary withdrawal. The liabilities which are subject to discretionary withdrawal mainly arise from U.S. general account business and Canadian participating account business. The Company includes contract provisions restricting withdrawal rights on its U.S. general account pension products sold to employee benefit plan sponsors. While plan participants can redeem at their account value, we have the right to make market value adjustments and/or delay payments for terminations of most plans at the plan sponsor level. Participating account policies provide insurance coverage over the lifetime of the policyholders which would be lost on surrender.

On segregated funds, contract terms are generally in place to mitigate liquidity risk which could arise from discretionary withdrawals.

In the normal course of certain reinsurance business, the Company provides letters of credit (LCs) to other parties, or beneficiaries. A beneficiary will typically hold a LC as collateral to secure statutory credit for insurance and investment contract liabilities ceded to or amounts due from the Company.

The Company may be required to seek collateral alternatives if it is unable to renew existing LCs at maturity. The Company monitors its use of LCs on a regular basis and assesses the ongoing availability of these and alternative forms of operating credit. The Company has contractual rights to reduce the amount of LCs issued to the LC beneficiaries for certain reinsurance treaties. The Company staggers the maturities of LCs to reduce the renewal risk.

For a further description of the Company's financial instrument risk management policies, refer to note 7 in the Company's December 31, 2023 annual consolidated financial statements.

Credit Risk

Risk Description

Credit risk is the risk of loss resulting from an obligor's potential inability or unwillingness to fully meet its contractual obligations. Exposure to this risk occurs any time funds are extended, committed or invested through actual or implied contractual agreements. Components of credit risk include: loan loss/principal risk, pre-settlement/replacement risk and settlement risk. Obligors include issuers, debtors, borrowers, brokers, policyholders, reinsurers, derivative counterparties and guarantors.

Credit exposure results from the purchase of fixed-income securities, which are primarily used to support policyholder liabilities. The Company also manages financial contracts with counterparties. Such contracts may be used to mitigate insurance and market risks (reinsurance ceded agreements and derivative contracts) or they may arise from the Company's direct business operations. The risk arising from these types of arrangements is included in the Company's measurement of its risk profile.

Credit Risk Management

The Company's credit risk management framework focuses on minimizing undue concentration of assets, in-house credit analysis to identify and measure risks, continuous monitoring, and proactive management. Diversification is achieved through the establishment of appropriate concentration limits (by asset class, issuers, credit rating, industries, and individual geographies) and transaction approval authority protocols. The Company's approach to credit risk management includes the continuous review of its existing risk profile relative to the RAF as well as to the assessment of potential changes in the risk profile under stress scenarios.

A governance structure has been implemented for the management of credit risk. The business units, including Investment Management, are the ultimate owners of credit risk and as such have primary responsibility for the identification, measurement, management, monitoring and reporting. The Company has established a senior management committee to provide oversight of credit risk, which includes completing reviews of relevant risks and making recommendations regarding risk limits, the risk policy and associated compliance, excess management and mitigation pertaining to credit risk. Each business segment has established oversight committees and operating committees to help manage credit risk within the segment. The Company has developed risk limits, RFIs and measures to support the management of credit risk in compliance with the Company's RAF.

The Company has established business segment specific Investment and Lending Policies, including investment limits for each asset class. These policies and limits are complemented by the Credit Risk Policy which sets out the credit risk management framework and principles. This policy is supported by other policies and guidelines that provide detailed guidance.

The Company identifies credit risk through an internal credit risk rating system which includes a detailed assessment of an obligor's creditworthiness based on a thorough and objective analysis of business risk, financial profile, structural considerations and security characteristics including seniority and covenants. Credit risk ratings are expressed using a 22-point scale that is consistent with those used by external rating agencies. In accordance with the Company's policies, internal credit risk ratings cannot be higher than the highest rating provided by certain independent ratings companies. The Risk Function reviews and approves the credit risk ratings assigned by Investment Management for all new investments and reviews the appropriateness of ratings assigned to outstanding exposures.

The Risk Function assigns credit risk parameters (probabilities of default, rating transition rates, loss given default, exposures at default) to all credit exposures to measure the Company's aggregate credit risk profile. In addition, the Risk Function establishes limits and processes, performs stress and scenario testing (using stochastically generated and deterministic scenarios) and assesses compliance with the limits established in the RAF. It regularly reports on the Company's credit risk profile to executive management, the Risk Committe of the Board of Directors and various committees at enterprise, business segment and legal entity levels.

Investment Management and the Risk Function are responsible for the monitoring of exposures relative to limits as well as for the management and escalation of risk limit excesses as they occur. Investment Management is also responsible for the continuous monitoring of its portfolios for changes in credit outlook, and performs regular credit reviews of all relevant obligors and counterparties, based on a combination of bottom-up credit analysis and top-down views on the economy and assessment of industry and sub-sector outlooks. Watch Lists are also used at the business segment levels to plan and execute the relevant risk mitigation strategies for obligors experiencing heightened credit stress.

Counterparty Risk

Counterparties include both reinsurers and derivative counterparties.

The Company uses reinsurance to mitigate insurance risks. This mitigation results in increased credit risk to reinsurance counterparties from the potential failure to collect reinsurance recoveries due to either the inability, or an unwillingness to fulfill their contractual obligation.

Counterparties providing reinsurance to the Company are reviewed for financial soundness as part of an ongoing monitoring process. The minimum financial strength of reinsurers is outlined in the Reinsurance Risk Management Policy. The Company seeks to minimize reinsurance credit risk through diversification as well as seeking protection in the form of collateral or funds withheld arrangements where possible.

The Company enters into derivative contracts primarily to mitigate market risks. Derivative counterparty risk is the risk of loss resulting from the potential failure of the derivative counterparty to meet their financial obligations under the contract. Derivative products are traded through exchanges or with counterparties approved by the Board of Directors or the Investment Committee. The Company seeks to mitigate derivative credit risk through diversification and through collateral arrangements where possible. In addition, the Company includes potential future exposure of derivatives in its measure of total exposure against single name limits.

Insurance Risk

Risk Description

Insurance risk is the risk of loss resulting from adverse changes in experience associated with contractual promises and obligations arising from insurance contracts. Insurance risk includes uncertainties around the ultimate amount of net cash flows (premiums, commissions, claims, payouts and related settlement expenses), the timing of the receipt and payment of these cash flows, as well as the impact of policyholder behaviour (e.g. lapses).

The Company identifies six broad categories of insurance risk, which may contribute to financial losses: mortality risk, morbidity risk, longevity risk, policyholder behaviour risk, expense risk and property & casualty risk. Mortality risk, morbidity risk, longevity risk and expense risk are core business risks and the exchange of these risks into value is a core business activity. Policyholder behaviour risk is principally associated with offering core products and is accepted as a consequence of the business model and mitigated where appropriate. Property & casualty risk is a selectively accepted business risk which is constrained, actively managed and controlled within risk limits.

Insurance Risk Management

Insurance products involve commitments by the insurer to provide services and financial obligations with coverage for extended periods of time. To provide insurance protection effectively, the Company must design and price products so that the premiums received, and the investment income earned on those premiums, will be sufficient to pay future claims and expenses associated with the product. This requires the insurer, in pricing products and establishing insurance contract liabilities, to make assumptions regarding expected levels of income, claims and expenses and how policyholder behaviours and market risks might impact these assumptions. As a result, the Company is exposed to product design and pricing risk which is the risk of financial loss resulting from transacting business where the costs and liabilities arising in respect of a product line exceed the pricing expectations.

Insurance contract liabilities are determined under IFRS 17, 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 insurance risk; and the contractual service margin.

A governance structure has been implemented for the management of insurance risk. Business units are the ultimate owners of insurance risk and as such have primary responsibility for the identification, measurement, management, monitoring and reporting of insurance risk. The Risk Function, supported by Corporate Actuarial, is primarily responsible for oversight of the insurance risk management framework. The Company has established an Insurance Risk Committee to provide oversight of insurance risk, which includes completing reviews and making recommendations regarding risk limits, the risk policy and associated compliance, excess management and mitigation pertaining to insurance risk. Each business segment has established oversight committees and operating committees to help manage insurance risk within the segment.

The Company's Insurance Risk Policy sets out the insurance risk management framework and provides the principles for insurance risk management. This policy is supported by several other policies and guidelines that provide detailed guidance, including:

- Product Design and Pricing Risk Management Policy and Reinsurance Risk Management Policy, which provide guidelines and standards for the product design and pricing risk management processes and reinsurance ceded risk management practices;
- Actuarial Function Valuation Policy, which provides documentation and control standards; and

- Participating Account Management Policies and Participating Policyholder Dividend Policies, which govern the management of participating accounts and provide for the distribution of a portion of the earnings in the participating account as participating policyholder dividends.

The Risk Function, in conjunction with Actuarial Function, implements a number of processes to carry out its responsibility for oversight of insurance risk. It reviews the Insurance Risk Policy relative to current risk exposures and updates it as required. It reviews insurance risk management processes carried out by the business units, including product design and pricing, underwriting, claims adjudication, and reinsurance ceding, and provides challenge as required.

The Risk Function works with the business units and other oversight functions to identify current and emerging insurance risks and take appropriate action, if required. Insurance risk limits, risk budgets and RFIs are set to keep the insurance risk profile within the Company's appetite for insurance risk and the Risk Function regularly monitors the insurance risk profile relative to these measures. Any excesses are required to be escalated so that appropriate remediation may be implemented. The Risk Function performs stress testing and analysis of insurance risks, including review of experience studies. It provides regular reporting on these activities to the business units, senior management, and risk oversight committees. The Risk Function performs thematic reviews and/or enhances the monitoring and reporting of associated exposures to these risks.

Risks and risk management activities associated with the broad insurance risk categories are detailed below.

Mortality and Morbidity Risk

Mortality risk is the risk of loss resulting from adverse changes in the level, trend, or volatility of mortality rates, where an increase in the mortality rate leads to a decrease in current earnings and/or expected future earnings.

Morbidity risk is the risk of loss resulting from adverse changes in the level, trend, or volatility of disability, health, dental, critical illness and other sickness rates, where an increase in the incidence rate or a decrease in the disability recovery rate leads to a decrease in current earnings and/or expected future earnings.

There is a risk that the Company will mis-estimate the level of mortality or morbidity, or write business which generates worse mortality and morbidity experience than expected.

The Company employs the following practices to manage its mortality and morbidity risk:

- Research and analysis is done regularly to provide the basis for pricing and valuation assumptions to properly reflect the insurance and reinsurance risks in markets where the Company is active.
- Underwriting limits, practices and policies control the amount of risk exposure, the selection of risks insured for consistency with claims expectations and support the long-term sustainability of the Company.
- The Company sets retention limits for mortality and morbidity risks. Aggregate risk is managed through a combination of reinsurance and capital market solutions to transfer the risk where appropriate.
- For group life products, exposure to a concentrated mortality event due to concentration of risk in specific locations for example, could have an impact on financial results. To manage the risk, concentrations are monitored for new business and renewals. The Company may impose single-event limits on some group plans and declines to quote in localized areas where the aggregate risk is deemed excessive.
- Effective plan design and claims adjudication practices, for both morbidity and mortality risks are critical to the management of the risk. As an example, for group healthcare products, inflation and utilization will influence the level of claims costs, which can be difficult to predict. The Company manages the impact of these and similar factors through plan designs that limit new costs and long-term price guarantees and include the ability to regularly re-price for emerging experience.
- The Company manages large blocks of business, which, in aggregate, are expected to result in relatively low statistical fluctuations in any given period. For some policies, these risks are shared with the policyholder through adjustments to future policyholder charges or in the case of participating policies through future changes in policyholder dividends.
- The insurance contract liabilities are determined under IFRS 17. The valuation assumptions use best estimates of future experience together with a risk adjustment for non-financial risk. This risk adjustment for insurance 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.

Longevity Risk

Longevity risk is the risk of loss resulting from adverse changes in the level, trend, or volatility of mortality rates, where a decrease in the mortality rate leads to a decrease in current earnings and/or expected future earnings. Annuities, some segregated fund products with Guaranteed Minimum Withdrawal Benefits and longevity reinsurance are priced and valued to reflect the life expectancy of the annuitant. There is a risk that annuitants could live longer than was estimated by the Company, which would increase the value of the associated insurance contract liabilities.

Business is priced using mortality assumptions which consider recent Company and industry experience and the latest research on expected future trends in mortality.

Aggregate risk is managed through reinsurance to transfer the risk as appropriate, as well as consideration of capital market solutions if deemed necessary. The Company has processes in place to verify annuitants' eligibility for continued income benefits. These processes are designed to ensure annuity payments accrue to those contractually entitled to receive them and help ensure mortality data used to develop pricing and valuation assumptions is as complete as possible.

Policyholder Behaviour Risk

Policyholder behaviour risk is the risk of loss resulting from adverse changes in the level or volatility of the rates of policy lapses, terminations, renewals, surrenders, or exercise of embedded policy options.

Many products are priced and valued to reflect the expected duration of contracts and the exercising of options embedded in those contracts. There is a risk that contracts may be terminated earlier or later than assumed in pricing and plan design. To the extent that higher costs are incurred in early contract years, there is a risk that contracts are terminated before early expenses can be recovered. Conversely, on certain long-term level premium products where claims costs increase by age, there is risk that contracts are terminated later than assumed.

Business is priced using policy termination assumptions which consider product designs and policyholder options, recent Company and industry experience and the latest research on expected future trends. Assumptions are reviewed regularly and are updated as necessary for both pricing of new policies and valuation of in-force policies.

The Company also incorporates early surrender charges into certain contracts and incorporates commission chargebacks in its distribution agreements to reduce unrecovered expenses.

Policyholder taxation rules in many jurisdictions help encourage the retention of insurance coverage.

In addition to the risk associated with core product offerings, the Company also writes structured mass lapse reinsurance deals. These covers are designed to provide capital relief. Risks are managed by limiting the aggregate net cash payout as well as country and counterparty concentration. The Company also incorporates product features to mitigate risk (e.g. ability to cancel on relatively short notice and specified exclusions).

Expense Risk

Expense risk is the risk of loss resulting from adverse variability of expenses incurred with fee-for-service business or in servicing and maintaining insurance, savings or reinsurance contracts, including direct expenses and allocations of overhead costs.

Expense management programs are regularly monitored to control unit costs while maintaining effective service delivery.

Property & Casualty Risk

Property & casualty risk is the risk of loss resulting from adverse changes in experience associated with property catastrophe and other non-life coverages.

This risk is primarily driven by the Company's reinsurance assumed business and can be split into two main categories as noted below:

- The Company assumes property catastrophe risk, primarily as a retrocessionaire. Participation is generally at significantly higher event or experience loss exposures than primary carriers and reinsurers. Generally, an event or experience of significant severity must occur prior to the Company incurring a claim. If a claim does occur, it could impact multiple reinsurance contracts.

  Risks are managed by limiting the total maximum claim amount under all contracts and monitors cedant companies' claims experience on an ongoing basis, incorporating their experience in pricing models to ensure that the Company is adequately compensated for the risk undertaken.

- The Company also assumes additional non-life risks which can include, amongst others, motor, pet, third party liability, unemployment and title insurance. Treaties can take the form of coverage for particular lines of business or multiple lines of business.

  Risks are managed through risk limits which are assessed using a probable maximum loss approach. Treaties are on a structured basis which helps to mitigate risk exposures through mechanisms which may include maximum loss, loss carry forward and pricing margins. Given the variation in risk exposures, transactions would be expected to diversify very well with each other and with the Company's other risk exposures.

Operational Risk

Risk Description

Operational risk is the risk of loss resulting from potential problems relating to internal processes, people and systems or from external events. Exposure to Operational risk results from either normal day-to-day operations or a specific unanticipated event, and can have material financial and/or reputational consequences.

Operational Risk Management

The Company has established processes to identify, assess, mitigate and manage operational risks. However, the Company's operations require multiple processes, systems and stakeholders to interact across the enterprise on an ongoing basis and operational risk remains an inherent feature of the Company's business model that cannot be fully eliminated.

The Company actively manages operational risks to support operational resilience across key processes and services and to maintain a strong reputation, standing and financial strength.

A governance structure has been implemented for the management of operational risk. Business units are the ultimate owners of operational risk and as such have primary responsibility for the identification, measurement, management, monitoring and reporting of operational risk. The Company has established an Operational Risk Committee to provide oversight of operational risk, which includes completing reviews, reporting, and monitoring risks; and making recommendations regarding risk limits, risk policies and mitigation pertaining to operational risks. Each business segment has established oversight committees and operating committees to help manage operational risk across their business.

The Company's Operational Risk Policy is supported by standards and guidelines that relate to specialized functions including detailed practices related to technology and cybersecurity risk management, fraud, regulatory compliance, stress testing, modeling, risk data aggregation and risk reporting. The Company implements controls to manage operational risk through integrated policies, procedures and processes, with consideration given to the cost/benefit trade-off. Processes and controls are monitored and refined by the business areas and periodically reviewed by the Company's Internal Audit department. Financial reporting processes and controls are further examined by external auditors.

The Company employs a combination of operational risk management methods including risk and control assessments, internal control factors and risk event analyses. For the identification of operational risks, the Company utilizes risk and control assessments which systematically identify and assess potential operational risks and associated controls. Internal and external operational risk events are analyzed to identify root causes and provide insights into potential new operational risks that could impact the Company. In addition, scenario analysis is employed to identify and quantify potential severe operational risk exposures, while RFIs, risk appetite preferences, and other processes are leveraged to measure, manage and monitor operational risks.

The Risk Function monitors the status of actions being undertaken to remediate risks to ensure that risk exposures are mitigated in a timely manner. Processes are in place to escalate significant matters to senior management to inform and enable management to take appropriate action when needed. The Risk Function regularly reports on the Company's operational risk profile to executive management, the Board of Directors and various committees at enterprise, business segment and legal entity levels.

The Company also manages operational risks through the corporate insurance program which mitigates a portion of the operational risk exposure by purchasing insurance coverage that provides protection against unexpected material losses resulting from events such as property loss, cyber-attack or damage and liability exposures. The nature and amount of insurance protection purchased is assessed with regard to the Company's risk profile, risk appetite and tolerance for the associated risks, as well as legal requirements and contractual obligations.

Operational resilience is an outcome of the application of comprehensive risk frameworks and effective management of risk and is managed through the ability to embed capabilities, processes, and systems to successfully deliver critical operations, through disruption. Operational resilience emphasizes preparation, response, recovery, learning, and adaptation by assuming disruptions, including simultaneous disruptions, will occur.

Key operational risks and the Company's approach to managing them are outlined below.

Technology Risk

Technology risk is the risk of loss from improper system or control design, improper operation, delivery of or unauthorized access to information and technology resources that can significantly impact the Company's ability to operate efficiently, stay compliant with regulations and maintain its financial integrity and reputation. More specifically, technology risk includes cyber and information security risk, technology operations risk and technology delivery risk.

Technology is a critical component of the Company's business operations and is also central to the Company's customer-focused digital strategy. The Company continues to face technology and cyber risks stemming from legacy technology constraints and the advancement of techniques used in cyber-attacks.

The Company continues to implement new risk management processes and practices designed to allow it to better identify, measure, manage and report on technology risk including emerging technologies such as artificial intelligence, with processes and practices continuing to require further development as technology and business needs evolve. The Company's strategy and approach to managing technology and cyber risks includes policies that govern the technology environment and set standards related to information security and the use of technology, including:

- the use of multiple layers of technologies that are designed to prevent unauthorized access, ransomware attacks, distributed denial of service and other cyber-attacks;
- coordinated global and regional information security offices that gather threat intelligence, detect, monitor and respond to security events and conduct regular threat and vulnerability risk assessments;
- independent oversight and assessment of the approach taken to mitigate technology and cyber risks by the Technology Risk Management team, an independent group that acts as the second line of defense; and
- regular cyber security awareness sessions and mandatory cyber security training for all employees.

Business Continuity Risk

Business continuity risk is the risk of loss as a result of the failure to provide for business processes and operations under adverse conditions that may arise from natural, technological or human caused events involving the loss of workplace, workforce, technology and supply chain outages and disruptions. Business continuity risk also includes the risk of loss resulting from the reduction or non-availability of corporate facilities, physical assets or physical security.

A business continuity risk management framework has been implemented to manage business continuity risks and impacts through the development, testing, training and maintenance in four key areas: emergency response, incident management, business continuity and technology resilience which includes disaster recovery.

Process & Reporting Risk

Process and reporting risk is the risk of loss or material misstatement resulting from inadequate or failed business processes or financial reporting. These processes include transaction processing, product development, product introduction, new business (including the distribution and sales process) and renewal (including the underwriting process), investment activities, client administration, claims and benefit payments, data aggregation and financial reporting, financial modelling and financial management. The inadequacy can arise in governance, oversight, communication or general process management.

Process and reporting risk are an inherent part of doing business. The Company takes steps to manage and mitigate risks through the establishment of robust control environment for core processes.

Further, the Company seeks to control processes across the value chain through automation, standardization and process improvements to prevent or reduce operational losses.

Fraud Risk

Fraud risk is the risk of loss resulting from acts or activities that are intended to defraud, misappropriate assets, or circumvent laws or regulations by customers, contractors or other third parties, directors, officers, employees or advisors. The fraud environment continues to intensify for financial institutions, due to increased financial pressures that may motivate and rationalize fraudulent behavior and progressively sophisticated methods of organized fraud and cyber fraud. Fraud can result in a financial loss or reputational impact to the Company and have other impacts that are detrimental to customers and other stakeholders.

The Company has established a formal program with governance, principles and process requirements outlined in a Fraud Risk Management Policy and a corresponding Fraud Risk Operating Standard to prevent, detect, investigate and respond to fraud in a timely manner. Additionally, the Code of Conduct and Fraud Risk Management Policy highlight management's commitment to acting with integrity and a strong fraud risk awareness culture.

Supplier Risk

Supplier risk is the risk of loss resulting from the failure to establish and manage adequate supplier arrangements, transactions or other interactions to meet the expected or contracted service level. Supplier risk is applicable to both external and internal suppliers.

The Company strategically engages suppliers to maintain cost efficiency, to optimize internal resources and capital and to utilize skills, expertise and resources not otherwise available to the Company. Suppliers are engaged based on our prescribed supplier risk management principles in our Supplier Risk Management Policy. The Company applies a risk management framework and risk mitigation activities needed (e.g. risk assessments, due diligence, etc.) to oversee and monitor interactions with suppliers throughout the supplier lifecycle, including how they meet standards for quality of service and protect stakeholders and the interests of the Company.

Legal and Regulatory Compliance Risk

Legal and regulatory risk is the risk of loss resulting from non-compliance with specific local or international rules, laws, regulations, or prescribed practices, as well as civil or criminal litigation engaged in/by the Company. As a multi-national enterprise, the Company and certain of its subsidiaries are subject to extensive legal and regulatory requirements in Canada, the U.S., the U.K., Ireland, Germany and other jurisdictions. These requirements cover most aspects of the Company's operations including capital adequacy, privacy, liquidity and solvency, investments, the sale and marketing of insurance and wealth products, the business conduct of insurers, asset managers and investment advisors as well as reinsurance processes. Material changes in the legal or regulatory framework or the failure to comply with legal and regulatory requirements could have an adverse effect on the Company. An increase in the pace of regulatory change could lead to increased operational costs to implement changes and ensure ongoing compliance.

Legal and regulatory risk is managed through coordination between first and second line of defense functions. The Company records, manages and monitors the regulatory compliance environment closely, using the subject matter expertise of both local and enterprise-wide Compliance and Legal stakeholders and reporting on emerging changes that could have a significant impact on the Company's operations or business.

The Company is subject to the risk of litigation and regulatory action relating to its business, operations, products, securities and contractual relationships and it establishes contingency reserves for litigation that it determines are appropriate.

People Risk

People risk is the risk of loss resulting from the inadequate management of human capital or the misalignment of human resources policies, programs and practices with employment-related legislation, regulatory expectations or the Company's strategic objectives, risk appetite and values. The Company has compensation programs, succession planning, talent management and employee engagement processes that are designed to manage these risks, support a high-performance culture, and maintain a highly skilled workforce that is reflective of the diverse cultures and practices of the countries in which the Company operates. The Company's ability to recognize and accommodate changing trends with respect to human resources in the industry is important to execute upon business strategies.

Model Risk/End-user-computing (EUC) Risk

Model / EUC risk is the potential for adverse consequences from decisions based on incorrect models or EUC's, or misuse of their outputs and reports. Model / EUC risk can lead to financial loss, poor business and strategic decision-making, or damage to the Company's reputation or standing due to a negative perception of the Company's image among customers, counterparties, shareholders and/or supervisory authorities.

The Company has limited appetite for Model / EUC risk and prioritizes mitigation and control activities, where possible, to limit adverse consequences arising from models or EUC's not performing as intended, using a risk-based approach. This includes establishment of mitigation and control activities within the model / EUC lifecycle (development, maintenance and ongoing use), establishment and periodic refresh of model and EUC inventories within their associated risk classification structures and independent review of models and EUC's within their review cycles commensurate to the level of risk.

Conduct Risk

Risk Description

Conduct risk is the risk of unfair outcomes for customers as a result of inadequate or failed processes and/or inappropriate behaviours, offerings or interactions by the Company or its agents. A failure to identify and mitigate conduct risk impacts not only the Company's customers but can also have adverse reputational and financial consequences for the Company due to the cost of customer remediation, damage to reputation and/or regulatory fines.

Conduct Risk Management

The Company manages conduct risk through various processes which include:

- formalized policies, frameworks, employee training and senior management reporting;
- providing appropriate and clear customer disclosures and communications;
- applying product design, complaint, claims management and sales and advice processes that consider outcomes to customers and customer vulnerability; and
- conducting risk-based advisor assessments and suitability reviews, maintaining controls and adhering to Board-approved policies and processes, including the Conduct Risk Policy and the Code of Conduct.

Conduct risk is incorporated in risk management and compliance activities, including risk and control assessments, internal events reporting, emerging risk assessments, and other measurement, monitoring and reporting activities.

Strategic Risk

Risk Description

Strategic risk may reflect intentional risk-taking in anticipation or response to industry forces or it may emerge as unintended consequences from changes to strategy, execution of strategy, or from lack of responsiveness to external forces.

Strategic risk-taking is inherent to achieving strategic objectives and arises from the fundamental decisions made and actions taken concerning an organization's objectives. It may relate to or stem from the design and development of strategy, including the formulation, evaluation and ongoing validation of strategy, or execution of corporate and business strategies, and management of associated risks stemming from the same.

Strategic risk is the risk of failing to set or meet appropriate strategic objectives in the context of the internal and external operating environment resulting in a material impact on business performance (e.g. earnings, capital, reputation or standing).

Strategic Risk Management

The Company's Strategic Risk Management Framework is designed to identify, measure, manage, monitor and report on strategic risk, and is supported by Policies, Standards and Guidelines for both first and second lines of defence.

Strategic risk management spans the development and refinement of strategy, the translation of strategy into tangible activities, alignment of resources to requirements for executing the strategy, execution of strategy, and ongoing activities to monitor and adjust strategies or related initiatives. Strategic risks are monitored at all stages of the strategy management lifecycle.

The Company aligns business strategies with its risk appetite and mitigates exposure to strategic risk through strategic planning, establishing appropriate performance indicators, reporting of strategy execution and implementation against strategic goals and ongoing monitoring, together with robust oversight and challenge.

The Company identifies and manages strategic risk in relation to both new and existing strategies, strategic initiatives, and any new business development with the potential to have significant strategic impact on the business or overall portfolio. Major initiatives undergo a comprehensive risk assessment to review alignment with risk appetite and are subject to regular and robust monitoring and oversight.

Other Risks

Sustainability Risk

Sustainability risk is the risk that the interests of the Company's customers and other stakeholders are not protected, or that business operations and business growth are not sustained due to failure to meet societal expectations related to corporate social responsibilities.

The Company may experience direct or indirect financial, operational or reputational impacts stemming from sustainability risks, which include climate change as well as diversity and inclusion-related matters.

Sustainability considerations are formally reflected in the Company's risk management principles and associated policies. The Company recognizes that sustainability risk impacts both financial risks (market, credit and insurance) as well as non-financial risks (operational, conduct and strategic). Sustainability risk is not a stand-alone risk type, but underlies all risk types. As a result, the processes for managing sustainability risk are embedded in the processes for managing each risk type.

The Company takes a balanced and sustainable approach to conducting business. The Company has established a climate risk management policy that articulates the principles guiding the Company's approach to climate risk and sets forth the necessary requirements for its effective management. In addition, the Company has established environmental policies and guidelines pertaining to the acquisition and ongoing management of investment properties, loans secured by real property and investments in equity and fixed-income securities.

Holding Company Structure Risk

As a holding company, the Company's ability to pay interest, dividends and other operating expenses and to meet its obligations generally depends upon receipt of sufficient funds from its principal subsidiaries and its ability to raise additional capital.

In the event of bankruptcy, liquidation or reorganization of any of these subsidiaries, insurance and investment contract liabilities of these subsidiaries will be completely provided for before any assets of such subsidiaries are made available for distribution to the Company. In addition, the other creditors of these subsidiaries will generally be entitled to the payment of their claims before any assets are made available for distribution to the Company except to the extent that the Company is recognized as a creditor of the relevant subsidiaries.

Any payment (including payment of interest and dividends) by the principal subsidiaries is subject to restrictions set forth in relevant insurance, securities, corporate and other laws and regulations, which require that solvency and capital standards be maintained by Canada Life and Empower and their subsidiaries. There are considerable risks and benefits related to this structure.

Management monitors the solvency and capital positions of its principal subsidiaries opposite liquidity requirements at the holding company level. Management also establishes lines of credit for additional liquidity and may also access capital markets for funds. Management monitors compliance with the regulatory laws and regulations at both the holding company and operating company levels.

Mergers and Acquisitions Risk

Periodically, the Company and its subsidiaries evaluate existing companies, businesses, assets, products and services. Such reviews could result in the Company or its subsidiaries acquiring or divesting of businesses or assets. In the ordinary course of business, the Company considers and discusses the purchase or sale of companies, businesses segments or assets.

If effected, such transactions could be material to the Company in size or scope, could result in risks and contingencies relating to companies, businesses or assets that the Company acquires or expose it to the risk of claims relating to those it has divested, could result in changes in the value of the securities of the Company, including the common shares of the Company, and could result in the Company holding additional capital for contingencies that may arise after the transaction is completed. Strategic and integration risks related to mergers and acquisitions can also emerge due to external risks that are difficult to anticipate and may result in reduced synergies and negative impact on value capture.

To mitigate these risks, due diligence reviews of potential transactions are undertaken, and risks are assessed in the context of our Risk Appetite. For acquisitions, an integration strategy is established that considers the values, norms, and culture of the target company, including monitoring of new and emerging risks that may impede efficiency and delay the consolidation process. Before acquiring or divesting companies, businesses, business segments, or assets, management assesses and provides assurance that systems and processes are appropriate to manage the risks after the transaction is completed, and regular monitoring and oversight of transaction activities is conducted.

Tax Regime Risk

The Company operates in a number of countries each with its own distinct tax regime, encompassing various levels of government and a range of tax mechanisms, such as income taxes, capital taxes, payroll taxes, value add taxes, sales taxes, etc. and further, may provide tax incentives for certain types of products (examples include support for pensions, retirement savings and life & health insurance). These jurisdictions periodically review and amend various aspects of the tax regime that can have an impact on the business of the Company.

There is a risk that changes to tax rates may increase the tax expense to the Company, adversely impacting earnings. There is also a risk that a reduction or elimination in the level of tax incentives on products offered by the Company may adversely impact demand for those products.

Management actively monitors changes in tax regimes in countries where it has operations and proactively responds to tax changes that may have potential impacts on its business.

In December 2021, the OECD published the Pillar Two model rules outlining a structure for a new 15% global minimum tax regime. A number of countries where the Company operates, including Ireland, Germany and the U.K., have enacted legislation, and will be effective for the Company's financial year beginning January 1, 2024. Pillar Two draft legislation in Canada and Barbados has not been substantively enacted but when enacted, is expected to be effective for the Company as of January 1, 2024. As the Company operates in certain countries with a lower tax rate than the proposed minimum, an increase in the effective tax rate is expected. Based on a preliminary assessment, the Company expects an increase in the effective income tax rate on base earnings in the 2-4% range.

Refer to the "Taxes" section of this document for additional details.

Product Distribution Risk

Product distribution risk is the risk of loss resulting from the Company's inability to market its products through its network of distribution channels and intermediaries. These intermediaries generally offer their clients products in addition to, and in competition with, the Company's products, and are not obligated to continue working with the Company. In addition, certain investors rely on consultants to advise them on the choice of provider and the consultants may not always consider or recommend the Company. The loss of access to a distribution channel, the failure to maintain effective relationships with intermediaries or the failure to respond to changes in distribution channels could have a significant impact on the Company's ability to generate sales.

Product distribution risk is managed by maintaining a broad network of distribution relationships, with products distributed through numerous broker-dealers, managing general agencies, financial planners, banks and other financial institutions.

Reputation Risk

Reputation risk is the risk of loss as a result of damage to the Company's image, brand and standing in the market due to negative public perception. Protecting the Company's reputation is a fundamental component of our Risk Appetite Framework. Reputational impacts are considered when assessing financial and non-financial risk.

Geopolitical Risk

Geopolitical risk is the risk of loss and uncertainty arising from political, economic and social factors on the Company's operations, investments and financial performance across geographic regions. These risks may include changes in government policies, regulatory environments, trade relation, civil unrest, terrorism and other geopolitical events that can affect the stability and predictability of markets in which the Company operates. The Company continues to monitor potential impacts of recent geopolitical conflicts.

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.

Non-Financial Exposures and Sensitivities

The earnings and CSM sensitivities illustrated in the table below represent impacts as at December 31, 2023 under the Company's current accounting policies, 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.

Non-Financial Exposures and Sensitivities

	Net earnings & equity		CSM[1]	
	Before reinsurance	Net of reinsurance held	Before reinsurance	Net of reinsurance held
December 31, 2023				
2% Life mortality increase	$ (100)	$ (100)	$ (375)	$ (200)
2% Annuity mortality decrease	175	150	(700)	(625)
5% Morbidity adverse change	(150)	(125)	(225)	(100)
5% Expense increase	—	—	(150)	(150)
10% Adverse change in policy termination and renewal	50	50	(1,025)	(950)
December 31, 2022 (Restated)				
2% Life mortality increase	$ 50	$ 25	$ (550)	$ (325)
2% Annuity mortality decrease	200	200	(725)	(650)
5% Morbidity adverse change	(75)	(100)	(275)	(125)
5% Expense increase	—	—	(175)	(175)
10% Adverse change in policy termination and renewal	150	150	(1,125)	(1,100)

1 The impacts to the contractual service margin (CSM) are pre-tax.

These sensitivities reflect the impact on earnings and CSM of an immediate change in assumptions on the value of insurance and reinsurance held contracts and investment contracts. The impact on shareholders' equity is equal to the net earnings impact.

Under IFRS 17, assumption changes on insurance risks directly impact CSM, for contracts which have CSM. The impact of assumption changes on CSM are measured at locked-in discount rates, for contracts measured under the General Measurement Model. Net earnings impacts arise from the fair value impact of assumption changes impacting CSM, as well as assumption changes on contracts which do not have CSM (including short term insurance contracts). The fair value impact of CSM assumption changes included in earnings is a second-order impact which captures the present value difference between the impact of assumption changes measured at prevailing discount rates and locked-in discount rates. In general, prevailing discount rates are currently higher than locked-in rates for the Company's insurance contracts. Therefore, an unfavourable change in assumptions on insurance risks, which decreases CSM, also results in a positive impact in the period due to the fair value impact.

Concentration risk may arise from geographic regions, accumulation of risks and market risk. The concentration of insurance risk before and after reinsurance by geographic region is described in the segmented information (note 33).

Financial Exposures and Sensitivities

The following table illustrates the approximate impact to the Company's shareholders' net 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 financial assumptions, the sensitivity is shown net of the corresponding impact on earnings of the change in the value of liabilities and the value of assets supporting liabilities.

The impact to shareholders' net earnings from an immediate 50 basis point increase or decrease in credit spreads is illustrated in the table below, with no change to the ultimate illiquidity premium. Actual impacts of credit spread changes will vary depending on the geographies where the changes occur, and the changes in credit spreads by term. A change in credit spreads may also lead to a change in the allowance for credit risk within the IFRS 17 discount rate, depending on prevailing market and credit conditions at the time; any potential earnings impacts that may arise from such a change are not reflected in the sensitivities below.

Financial Exposures and Sensitivities

	Net earnings[1]		Equity[1]		CSM[2]		LICAT
	Dec. 31 2023	Dec. 31 2022 (Restated)	**Dec. 31 2023**	Dec. 31 2022 (Restated)	**Dec. 31 2023**	Dec. 31 2022	**Dec. 31 2023**
Investment returns:							
Change in risk free interest rates							
50 basis points increase	$ 175	$ 75	$ 150	$ 50	$ 175	200	0 point
50 basis points decrease	(225)	(125)	(225)	(100)	(250)	(300)	0 point
Change in credit spreads							
50 basis points increase	$ 300	n/a	$ 350	n/a	$ 175	n/a	n/a
50 basis points decrease	(375)	n/a	(450)	n/a	(250)	n/a	n/a
Change in publicly traded common stock values[1]							
20% increase	$ 225	$ 200	$ 525	$ 475	$ 525	$ 575	0 point
10% increase	100	100	250	225	275	275	0 point
10% decrease	(100)	(125)	(250)	(250)	(300)	(325)	0 point
20% decrease	(225)	(225)	(525)	(500)	(550)	(625)	(1 point)
Change in other non-fixed income asset values							
10% increase	$ 400	$ 400	$ 450	$ 425	$ —	$ —	1 point
5% increase	200	200	225	225	—	—	n/a
5% decrease	(200)	(200)	(225)	(225)	—	—	n/a
10% decrease	(425)	(425)	(450)	(450)	—	—	(1 point)

1 Subsequent to year end, on January 1, 2024, the Company sold Putnam and received shares in Franklin Templeton as part of the consideration. The net impact to shareholders' net earnings and equity of this transaction to the values in the table above would be to increase sensitivities by $75 million for a 10% increase or decrease in the value of publicly traded stocks and increase sensitivities by $150 million for a 20% increase or decrease in the value of publicly traded stocks.

2 The impacts to the contractual service margin (CSM) are pre-tax.

Actual impacts of interest rate changes will vary depending upon the geography where the changes occur. Net earnings are positively impacted by a parallel increase in interest rates and credit spreads in Canada, U.K. and the U.S., and are positively impacted by a parallel decrease in interest rates in the eurozone. Actual impacts of interest rate changes also vary by the level of change in interest rates by term. Therefore, actual impacts from interest rate changes may differ from the estimated impact of parallel movements in all geographies, which is presented above.

Exposures to credit spread sensitivities as at December 31, 2022 are assumed to be substantially similar to the levels as shown for December 31, 2023.

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 both December 31, 2023 and 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 million or a decrease of $25 million post-tax, respectively. In addition, the sensitivity of the CSM of the Company to a 10 basis point in the UIR in all geographies would be an increase of $75 million or a decrease of $75 million pre-tax, respectively.

Refer to the "Accounting Policies - Summary of Critical Accounting Estimates" section of this document for additional information on earnings sensitivities.

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.

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 8 in the Company's annual consolidated financial statements for the period ended December 31, 2023 for disclosure of the Company's financial instruments fair value measurement by hierarchy level as at December 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 for 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.

Goodwill and Intangibles Impairment Testing

Goodwill and indefinite life intangible assets, including those resulting from an acquisition during the year, are tested for impairment annually or more frequently if events indicate that impairment may have occurred. Intangible assets that were previously impaired are reviewed at each reporting date for evidence of reversal. In the event that certain conditions have been met, the Company would be required to reverse the impairment loss or a portion thereof.

Goodwill has been allocated to cash generating unit (CGU) groupings, representing the lowest level that the assets are monitored for internal reporting purposes. Goodwill is tested for impairment by comparing the carrying value of each CGU grouping to its recoverable amount. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

Intangible assets have been allocated to CGUs, representing the lowest level that the assets are monitored for internal reporting purposes.

Intangible assets with an indefinite useful life are reviewed annually to determine if there are indicators of impairment. If indicators of impairment have been identified, a test for impairment is performed and recognized as necessary. Impairment is assessed by comparing the carrying values of the assets to their recoverable amounts. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of the asset's fair value less costs of disposal and value-in-use.

Finite life intangible assets are reviewed annually to determine if there are indicators of impairment and assess whether the amortization periods and methods are appropriate. If indicators of impairment have been identified, a test for impairment is performed and then the amortization of these assets is adjusted or impairment is recognized as necessary.

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 annual consolidated financial statements for the year ended December 31, 2023 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 Company monitors all financial assets that are subject to impairment for significant increases in credit risk. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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. 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. 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:

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.

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.

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.

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 limited.

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.

Utilization of elective policy options – There are a wide range of elective options embedded in the policies issued by the Company. Examples include term renewals, conversion to whole life insurance (term insurance), settlement annuity purchase at guaranteed rates (deposit annuities) and guarantee re-sets (segregated fund maturity guarantees). The assumed rates of utilization are based on Company or industry experience when it exists and otherwise based on judgement considering incentives to utilize the option. Generally, whenever it is clearly in the best interests of an informed policyholder to utilize an option, then it is assumed to be elected.

Policyholder dividends and adjustable policy features – Future policyholder dividends and other adjustable policy features are included in the determination of insurance contract liabilities with the assumption that policyholder dividends or adjustable benefits will change in the future in response to the relevant experience. The dividend and policy adjustments are determined consistent with policyholders' reasonable expectations, such expectations being influenced by the participating policyholder dividend policies and/or policyholder communications, marketing material and past practice. It is the Company's expectation that changes will occur in policyholder dividend scales or adjustable benefits for participating or adjustable business respectively, corresponding to changes in the best estimate assumptions, resulting in an immaterial net change in insurance contract liabilities. Where underlying guarantees may limit the ability to pass all of this experience back to the policyholder, the impact of this non-adjustability impacting shareholders' net earnings is reflected in the impacts of changes in best estimate assumptions above.

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 shareholders' 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.

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.

For a further description of the Company's sensitivity to equity market, interest rate and other fluctuations, refer to "Financial Instruments Risk Management" note 7 in the Company's annual consolidated financial statements for the period ended December 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. Non-financial risks are insurance risks such as life mortality, annuity mortality and morbidity, and other risks such as expense and lapse. The risk adjustment is calculated by applying a margin to non-financial assumptions and discounting the resulting margin cash flows at the same discount rates as the best estimate cash flows. The margins applied reflect diversification benefits across all non-financial risks. The Company's target range for the confidence level of the risk adjustment is between the 85th and 90th percentile, and the risk adjustment is currently within the target range. The confidence level is determined on a net-of-reinsurance basis.

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 allowance for credit risk in the discount rate varies depending on the credit rating, sector and term of the assets reflected in the discount rate. The allowance is estimated based on historic credit experience and prevailing market conditions. For example, if there is a significant widening of market credit spreads, an additional allowance for credit risk to reduce the discount rate may be required to reflect prevailing market conditions. 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 following table provides the lower and upper end of the range of the spot rates used by the Company to discount liability cash flows by major currency:

As at December 31, 2023		Year 1	Year 5	Year 10	Year 20	Year 30	Year 50
CAD	Lower	6.0 %	4.5 %	4.4 %	4.3 %	4.2 %	4.5 %
	Upper	6.4 %	4.9 %	4.9 %	4.9 %	4.8 %	4.9 %
USD	Lower	5.7 %	4.8 %	4.8 %	5.3 %	4.9 %	4.7 %
	Upper	6.1 %	5.2 %	5.3 %	5.8 %	5.4 %	5.0 %
EUR	Lower	3.2 %	2.1 %	2.2 %	2.5 %	2.9 %	4.3 %
	Upper	4.8 %	3.6 %	3.8 %	4.1 %	4.2 %	4.5 %
GBP	Lower	4.9 %	3.8 %	4.0 %	4.7 %	4.6 %	3.7 %
	Upper	5.9 %	4.8 %	5.1 %	5.7 %	5.6 %	4.7 %

As at December 31, 2022		Year 1	Year 5	Year 10	Year 20	Year 30	Year 50
CAD	Lower	5.9 %	4.8 %	4.8 %	4.9 %	4.7 %	5.0 %
	Upper	6.3 %	5.3 %	5.3 %	5.3 %	5.2 %	5.1 %
USD	Lower	5.9 %	5.3 %	5.1 %	5.6 %	5.2 %	4.9 %
	Upper	6.3 %	5.7 %	5.5 %	6.0 %	5.6 %	5.0 %
EUR	Lower	2.5 %	2.8 %	2.8 %	2.9 %	3.1 %	4.3 %
	Upper	4.2 %	4.5 %	4.5 %	4.6 %	4.5 %	4.6 %
GBP	Lower	4.0 %	4.2 %	4.3 %	4.6 %	4.4 %	3.8 %
	Upper	5.3 %	5.4 %	5.5 %	5.9 %	5.7 %	5.1 %

The spot 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.

Income Taxes

The Company is subject to income tax laws in various jurisdictions. The Company's operations are complex and related income tax interpretations, regulations and legislation that pertain to its activities are subject to continual change. As life insurance companies, the Company's primary Canadian operating subsidiaries are subject to a regime of specialized rules prescribed under the *Income Tax Act (Canada)* for purposes of determining the amount of the companies' income that will be subject to tax in Canada.

Tax planning strategies to obtain tax efficiencies are used. The Company continually assesses the uncertainty associated with these strategies and holds an appropriate level of provisions for uncertain income tax positions. Accordingly, the provision for income taxes represents management's interpretation of the relevant income tax laws and its estimate of current and deferred income tax balances for the period. Deferred income tax assets and liabilities are recorded based on expected future income tax rates and management's assumptions regarding the expected timing of the reversal of temporary differences. The Company has substantial deferred income tax assets. The recognition of deferred income tax assets depends on management's assumption that future earnings will be sufficient to realize the deferred benefit. The amount of the asset recorded is based on management's best estimate of the realization of the asset.

The audit and review activities of tax authorities may affect the ultimate determination of the amounts of income taxes payable or receivable, deferred income tax assets or liabilities and income tax expense. Therefore, there can be no assurance that income taxes will be payable as anticipated and/or the amount and timing of receipt or use of the income tax related assets will be as currently expected. Management's experience indicates the taxation authorities are more aggressively pursuing perceived income tax issues and have increased the resources they put to these efforts.

Employee Future Benefits

The Company's subsidiaries maintain contributory and non-contributory defined benefit and defined contribution pension plans for eligible employees and advisors. The defined benefit pension plans provide pensions based on length of service and final average pay; however, these plans are closed to new entrants. Many of the subsidiaries' defined benefit pension plans also no longer provide future defined benefit accruals. The Company's defined benefit plan exposure is expected to reduce in future years. Where defined benefit pension accruals continue, active plan participants share in the cost of benefits through employee contributions in respect of current service. Certain pension payments are indexed on either an ad hoc basis or a guaranteed basis. The determination of the defined benefit obligation reflects pension benefits in accordance with the terms of the plans. Assets supporting the funded pension plans are held in separate trusteed pension funds. Obligations for the wholly unfunded plans are included in other liabilities and are supported by general assets. New hires and active plan participants in defined benefit plans closed to future defined benefit accruals are eligible for defined contribution benefits. The defined contribution pension plans provide pension benefits based on accumulated employee and employer contributions. The Company's subsidiaries also provide post-employment health, dental and life insurance benefits to eligible employees, advisors and their dependents. These plans are also closed to new entrants. For further information on the pension plans and other post-employment benefits refer to note 26 in the Company's December 31, 2023 annual consolidated financial statements.

For the defined benefit plans, service costs and net interest costs are recognized in the Consolidated Statements of Earnings. Service costs include current service cost, administration expenses, past service costs and the impact of curtailments and settlements. Re-measurements of the defined benefit liability (asset) due to asset returns less (greater) than interest income, actuarial losses (gains) and changes in the asset ceiling are recognized immediately in the Consolidated Statements of Comprehensive Income.

Accounting for defined benefit pension and other post-employment benefits requires estimates of expected increases in compensation levels, indexation of certain pension payments, trends in health-care costs, the period of time over which benefits will be paid, as well as the appropriate discount rates for past and future service liabilities. These assumptions are determined by management using actuarial methods, and are reviewed and approved annually. Emerging experience that differs from the assumptions will be revealed in future valuations and will affect the future financial position of the plans and net periodic benefit costs.

Actuarial assumptions - employee future benefits
At December 31

	Defined benefit pension plans		Other post-employment benefits	
	2023	2022	**2023**	2022
Actuarial assumptions used to determine benefit cost				
Discount rate - past service liabilities	5.0%	2.6%	5.3 %	3.1%
Discount rate - future service liabilities	5.3%	3.3%	5.4 %	3.0%
Rate of compensation increase	3.8%	3.1%	—	—
Future pension increases[1]	2.3%	1.7%	—	—
Actuarial assumptions used to determine defined benefit obligation				
Discount rate - past service liabilities	4.4%	5.0%	4.7 %	5.3%
Rate of compensation increase	3.4%	3.8%	—	—
Future pension increases[1]	2.1%	2.3%	—	—
Medical cost trend rates				
Initial medical cost trend rate			4.7 %	4.8%
Ultimate medical cost trend rate			4.1 %	4.1%
Year ultimate trend rate is reached			2039	2039

1 Represents the weighted average of plans subject to future pension increases.

Actuarial assumptions – The period of time over which benefits are assumed to be paid is based on best estimates of future mortality, including allowances for mortality improvements. This estimate is subject to considerable uncertainty, and judgment is required in establishing this assumption. As mortality assumptions are significant in measuring the defined benefit obligation, the mortality assumptions applied by the Company take into consideration such factors as age, gender and geographic location, in addition to an estimation of future improvements in longevity.

The mortality tables are reviewed at least annually, and assumptions are in accordance with accepted actuarial practices. Emerging plan experience is reviewed and considered in establishing the best estimate for future mortality.

As these assumptions relate to factors that are long-term in nature, they are subject to a degree of uncertainty. Differences between actual experience and the assumptions, as well as changes in the assumptions resulting from changes in future expectations, result in increases or decreases in the pension and post-employment benefits expense and defined benefit obligation in future years. There is no assurance that the plans will be able to earn assumed rates of return, and market driven changes to assumptions could impact future contributions and expenses.

The following table indicates the impact of changes to certain key assumptions related to pension and post-employment benefits.

Impact of a change of 1.0% in actuarial assumptions on defined benefit obligation[1]

	1% increase		1% decrease	
	2023	2022	**2023**	2022
Defined benefit pension plans:				
Impact of a change to the discount rate	$ (771)	$ (733)	$ 972	$ 926
Impact of a change to the rate of compensation increase	173	173	(157)	(156)
Impact of a change to the rate of inflation	346	340	(313)	(299)
Other post-employment benefits:				
Impact of a change to assumed medical cost trend rates	$ 14	$ 14	$ (12)	$ (12)
Impact of a change to the discount rate	(22)	(22)	26	25

1 To measure the impact of a change in an assumption, all other assumptions were held constant. It is expected that there would be interaction between at least some of the assumptions.

Funding – The Company's subsidiaries have both funded and unfunded pension plans as well as other post-employment benefit plans that are unfunded. The Company's subsidiaries' funded pension plans are funded to or above the amounts required by relevant legislation. During the year, the Company's subsidiaries contributed $283 million ($293 million in 2022) to the pension plans and made benefit payments of $18 million ($18 million in 2022) for post-employment benefits. The Company's subsidiaries expect to contribute $206 million to the pension plans and make benefit payments of $19 million for post-employment benefits in 2024.

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.

Transition to IFRS 17 and IFRS 9

The Company has adopted IFRS 17, *Insurance Contracts* (IFRS 17) replacing IFRS 4, *Insurance Contracts* (IFRS 4) effective January 1, 2023. 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). 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 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[8] 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[9] growth and base dividend payout ratio remain unchanged, while medium-term financial objective for base ROE 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 December 31, 2022 proforma 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.

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.

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 (designated)	FVOCI[1]
	FVTPL (classified)	FVTPL (mandatory)
	Available-for-Sale (AFS)	FVTPL (mandatory)
	AFS	FVOCI[1]
	Loans & Receivables (L&R)	FVTPL (designated)
	L&R	FVOCI[1]
	L&R	Amortized Cost[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.

8 This metric is a non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures and Ratios" section of this document for additional details.
9 This metric is a non-GAAP ratio. Refer to the "Non-GAAP Financial Measures and Ratios" section of this document for additional details.

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.

Transitional Impact on Equity

The resulting changes in accounting policies from the adoption of IFRS 17 and IFRS 9 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.

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.

For a further description of accounting policies, including future accounting standard changes, refer to note 2 of the Company's annual consolidated financial statements for the period ended December 31, 2023.

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.

The Company adopted the amendments to IFRS for IAS 12, *Income Taxes* effective May 2023 and has applied the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two model rules published by the Organization for Economic Co-operation and Development (OECD).

For additional detail, refer to notes 2 and 3 of the Company's annual consolidated financial statements for the period ended December 31, 2023.

New Standard	Summary of Future Changes
IFRS 16 – ***Leases***	In September 2022, the IASB published ***Lease Liability in a Sale and Leaseback***, amendments to IFRS 16, Leases. The amendments clarify that in a sale and leaseback transaction, the seller-lessee cannot recognize a gain or loss on the subsequent measurement of the lease liability related to the right of use it retains. These amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. The Company does not anticipate a significant impact on its consolidated financial statements as a result of these amendments.
IAS 7 – ***Statement of Cash Flows*** and IFRS 7 – ***Financial Instruments: Disclosures***	In May 2023, the IASB published amendments to IAS 7, ***Statement of Cash Flows*** and IFRS 7, ***Financial Instruments: Disclosures***. The amendments require an entity to provide additional disclosures about its supplier finance arrangements. These amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. The Company does not anticipate a significant impact on its consolidated financial statements as a result of these amendments.

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;
- Assumption changes and management actions that impact the measurement of assets and liabilities;
- Business transformation impacts which include acquisition and divestiture costs and 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; net earnings (loss) from discontinued operations; 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			For the twelve months ended	
	Dec. 31 2023	Sept. 30 2023	Dec. 31 2022 (Restated)	**Dec. 31 2023**	Dec. 31 2022 (Restated)
Base earnings	$ 971	$ 950	$ 894	$ 3,667	$ 3,318
Items excluded from Lifeco base earnings					
Market experience relative to expectations (pre-tax)	$ (351)	$ 191	$ (393)	$ (461)	$ 851
Income tax (expense) benefit	138	(38)	7	154	(321)
Realized OCI gains / (losses) from asset rebalancing (pre-tax)	—	—	—	(158)	—
Income tax (expense) benefit	—	—	—	37	—
Assumption changes and management actions (pre-tax)[1]	(28)	(125)	(21)	(149)	39
Income tax (expense) benefit[1]	111	19	16	129	8
Business transformation impacts (pre-tax)[1,2,3]	(137)	(33)	(73)	(340)	(271)
Income tax (expense) benefit[1,2,3]	70	8	12	118	67
Amortization of acquisition-related finite life intangibles (pre-tax)[2]	(42)	(48)	(36)	(182)	(167)
Income tax (expense) benefit[2]	11	12	9	47	41
Tax legislative changes impact (pre-tax)[2]	—	—	—	—	—
Income tax (expense) benefit[2]	—	—	63	—	63
Total pre-tax items excluded from base earnings[3]	$ (558)	$ (15)	$ (523)	$ (1,290)	$ 452
Impact of items excluded from base earnings on income taxes[3]	330	1	107	485	(142)
Net earnings from continuing operations	$ 743	$ 936	$ 478	$ 2,862	$ 3,628
Net earnings (loss) from discontinued operations (post-tax)[2]	(3)	(31)	(26)	(124)	(32)
Net earnings - common shareholders	$ 740	$ 905	$ 452	$ 2,738	$ 3,596

1 Following internal reviews, the mapping of certain assumption changes and management actions and business transformation impacts has been modified to reflect current presentation and comparative results for the periods ended December 31, 2022 have been restated, as applicable.

2 Included in other non-market related impacts.

3 Comparative results are restated to reclassify divestiture costs related to the sale of Putnam Investments to net earnings (loss) from discontinued operations (post-tax).

Canada

	For the three months ended			For the twelve months ended	
	Dec. 31 2023	Sept. 30 2023	Dec. 31 2022 (Restated)	**Dec. 31 2023**	Dec. 31 2022 (Restated)
Base earnings	$ 301	$ 296	$ 260	$ 1,158	$ 1,164
Items excluded from base earnings					
Market experience relative to expectations (pre-tax)	$ (162)	$ 204	$ 78	$ (197)	$ 241
Income tax (expense) benefit	48	(57)	(17)	58	(105)
Assumption changes and management actions (pre-tax)	(22)	(34)	(37)	(52)	85
Income tax (expense) benefit	5	10	10	14	2
Business transformation impacts (pre-tax)[1]	(5)	(1)	—	(9)	—
Income tax (expense) benefit[1]	2	—	—	3	—
Amortization of acquisition-related finite life intangibles (pre-tax)[1]	(2)	(6)	(7)	(20)	(26)
Income tax (expense) benefit[1]	1	2	2	6	7
Tax legislative changes impact (pre-tax)[1]	—	—	—	—	—
Income tax (expense) benefit[1]	—	—	63	—	63
Net earnings - common shareholders	$ 166	$ 414	$ 352	$ 961	$ 1,431

1 Included in other non-market related impacts.

United States

	For the three months ended			For the twelve months ended	
	Dec. 31 2023	Sept. 30 2023	Dec. 31 2022 (Restated)	**Dec. 31 2023**	Dec. 31 2022 (Restated)
Base earnings	$ 261	$ 262	$ 215	$ 1,006	$ 737
Items excluded from base earnings					
Market experience relative to expectations (pre-tax)	$ (13)	$ 27	$ —	$ 5	$ (25)
Income tax (expense) benefit	4	(5)	—	(1)	3
Business transformation impacts (pre-tax)[1,2]	(52)	(18)	(43)	(191)	(226)
Income tax (expense) benefit[1,2]	20	5	11	54	66
Amortization of acquisition-related finite life intangibles (pre-tax)[1]	(35)	(36)	(21)	(140)	(122)
Income tax (expense) benefit[1]	9	9	6	36	31
Net earnings from continuing operations	$ 194	$ 244	$ 168	$ 769	$ 464
Net earnings (loss) from discontinued operations (post-tax)[2]	(3)	(31)	(26)	(124)	(32)
Net earnings - common shareholders	$ 191	$ 213	$ 142	$ 645	$ 432

1 Included in other non-market related impacts.

2 Comparative results of are restated to reclassify divestiture costs related to the sale of Putnam Investments to net earnings (loss) from discontinued operations (post-tax).

Europe

	For the three months ended			For the twelve months ended	
	Dec. 31 2023	Sept. 30 2023	Dec. 31 2022 (Restated)	**Dec. 31 2023**	Dec. 31 2022 (Restated)
Base earnings	$ 213	$ 206	$ 256	$ 777	$ 845
Items excluded from base earnings					
Market experience relative to expectations (pre-tax)	$ (114)	$ (152)	$ (268)	$ (321)	$ 560
Income tax (expense) benefit	54	24	6	78	(128)
Realized OCI gains / (losses) from asset rebalancing (pre-tax)	—	—	—	(158)	—
Income tax (expense) benefit	—	—	—	37	—
Assumption changes and management actions (pre-tax)[1]	(6)	(45)	11	(46)	(16)
Income tax (expense) benefit[1]	106	8	6	113	1
Business transformation impacts (pre-tax)[1,2]	(80)	(14)	(30)	(140)	(45)
Income tax (expense) benefit[1,2]	48	3	1	61	1
Amortization of acquisition-related finite life intangibles (pre-tax)[2]	(5)	(6)	(8)	(22)	(19)
Income tax (expense) benefit[2]	1	1	1	5	3
Net earnings (loss) - common shareholders	$ 217	$ 25	$ (25)	$ 384	$ 1,202

1 Following internal reviews, the mapping of certain assumption changes and management actions and business transformation impacts has been modified to reflect current presentation and comparative results for the periods ended December 31, 2022 have been restated, as applicable.

2 Included in other non-market related impacts.

Capital and Risk Solutions

	For the three months ended			For the twelve months ended	
	Dec. 31 2023	Sept. 30 2023	Dec. 31 2022 (Restated)	**Dec. 31 2023**	Dec. 31 2022 (Restated)
Base earnings	$ 236	$ 198	$ 181	$ 794	$ 598
Items excluded from base earnings					
Market experience relative to expectations (pre-tax)	$ (50)	$ 112	$ (201)	$ 75	$ 54
Income tax (expense) benefit	29	—	18	13	(85)
Assumption changes and management actions (pre-tax)	—	(46)	5	(51)	(30)
Income tax (expense) benefit	—	1	—	2	5
Net earnings - common shareholders	$ 215	$ 265	$ 3	$ 833	$ 542

Lifeco Corporate

	For the three months ended			For the twelve months ended	
	Dec. 31 2023	Sept. 30 2023	Dec. 31 2022 (Restated)	**Dec. 31 2023**	Dec. 31 2022 (Restated)
Base earnings (loss)	$ (40)	$ (12)	$ (18)	$ (68)	$ (26)
Items excluded from base earnings (loss)					
Market experience relative to expectations (pre-tax)	$ (12)	$ —	$ (2)	$ (23)	$ 21
Income tax (expense) benefit	3	—	—	6	(6)
Net earnings (loss) - common shareholders	$ (49)	$ (12)	$ (20)	$ (85)	$ (11)

Base earnings - insurance service result

Represents the profit earned from providing insurance coverage and comprises the expected insurance earnings, impacts of new insurance business written and insurance experience gains and losses for the Company's insurance businesses. This metric is presented on a common shareholders' basis by removing the participating account results.

Base earnings - net investment result

Represents the difference between management's expected return on assets backing insurance contract liabilities and the unwinding of discount rates used to measure corresponding insurance contract liabilities. Includes the release of credit provisions into profit and the impact of credit experience for the period as well as the impact of certain trading activity on fixed income assets and non-directly attributable investment expenses. Additionally, includes expected investment income on surplus assets net of associated investment expenses. This metric is presented on a common shareholders' basis by removing the participating account results. This measure removes spread income earned on certain investment products which represents the difference between earned rates and rates credited to clients.

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

	Dec. 31 2023	Sept. 30 2023	Dec. 31 2022 (Restated)
Total assets per financial statements[1]	$ 713,230	$ 680,010	$ 672,206
Continuing operations - other AUM	220,578	199,821	182,288
Discontinued operations - other AUM	161,566	153,026	149,446
Total AUM[1]	$ 1,095,374	$ 1,032,857	$ 1,003,940
Other AUA	1,757,166	1,595,507	1,464,523
Total AUA[1]	$ 2,852,540	$ 2,628,364	$ 2,468,463

[1] Figures include assets held for sale and other AUM related to the discontinued operations of Putnam Investments.

PART B GREAT-WEST LIFECO INC.

Canada

	Dec. 31 2023	Sept. 30 2023	Dec. 31 2022 (Restated)
Canada wealth fee business AUA			
Segregated fund assets	$ 101,250	$ 95,229	$ 93,816
Other AUM	13,056	7,460	4,057
Wealth fee business other AUA	53,490	25,559	23,975
Total Canada wealth fee business AUA	$ 167,796	$ 128,248	$ 121,848
Add: Other balance sheet assets	$ 102,534	$ 96,608	$ 96,433
Add: Other AUA	2,145	2,200	2,369
Consolidated Canada balance sheet assets	$ 203,784	$ 191,837	$ 190,249
Consolidated Canada other AUM	13,056	7,460	4,057
Consolidated Canada other AUA	55,635	27,759	26,344
Total Canada AUA	$ 272,475	$ 227,056	$ 220,650

United States

	Dec. 31 2023	Sept. 30 2023	Dec. 31 2022 (Restated)
Empower AUA			
General account	$ 88,487	$ 92,440	99,839
Segregated funds	175,499	167,055	166,274
Other AUM	100,806	94,171	84,653
Other AUA	1,689,455	1,556,169	1,426,834
Empower AUA	$ 2,054,247	$ 1,909,835	$ 1,777,600
PanAgora - other AUM	$ 43,190	$ 41,890	$ 43,039
Discontinued operations - other AUM	194,145	184,428	179,324
Subtotal	$ 2,291,582	$ 2,136,153	$ 1,999,963
Add: Other AUM consolidated adjustment	$ (32,579)	$ (31,402)	$ (29,878)
Add: Other balance sheet assets	41,844	37,453	30,088
Consolidated United States balance sheet assets	$ 305,829	$ 296,948	$ 296,201
Consolidated United States other AUM	305,563	289,087	277,138
Consolidated United States other AUA	1,689,455	1,556,169	1,426,834
Total United States AUA	$ 2,300,847	$ 2,142,204	$ 2,000,173

Europe

	Dec. 31 2023	Sept. 30 2023	Dec. 31 2022 (Restated)
Europe wealth and investment only AUA			
Segregated fund assets	$ 141,936	$ 133,838	$ 127,792
Other AUM	63,525	56,300	50,539
Other AUA	12,076	11,579	11,345
Total Europe wealth and investment only AUA	$ 217,537	$ 201,717	$ 189,676
Add: Other balance sheet assets	$ 52,593	$ 48,904	$ 48,989
Consolidated Europe balance sheet assets	$ 194,529	$ 182,742	$ 176,781
Consolidated Europe other AUM	63,525	56,300	50,539
Consolidated Europe other AUA	12,076	11,579	11,345
Total Europe AUA	$ 270,130	$ 250,621	$ 238,665

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.
- **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.
- **Price/base earnings ratio** - The Company's closing share price divided by its base earnings per share on a trailing four quarter basis.

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 features (including prices), and new or revised reinsurance deals on in-force business. Assumption changes and management actions are excluded from base earnings.
- **Business transformation impacts** - Business transformation impacts include acquisition and divestiture costs as well as restructuring and integration costs.
- **Book value per common share** - Measure is calculated by dividing Lifeco's common shareholders' equity by the number of common shares outstanding at the end of the period.
- **Common shareholders' 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.

- **Drivers of earnings (DOE)** - Drivers of earnings analysis provides additional detail on the primary sources of Lifeco's earnings and is a consistent presentation across Canadian insurance industry peers. The DOE view presents net earnings attributable to common shareholders, comprising base earnings on a DOE basis and items excluded from base earnings. For base insurance service result, the DOE view provides detail on expected insurance earnings, the impact of new business and experience gains and losses. For base net investment result, the DOE view provides detail on expected investment earnings, credit experience, trading activity and earnings on surplus. Base other income and expenses are presented separately in the DOE view with additional detail on net fee and spread income, non-directly attributable and other expenses, income taxes on base earnings, non-controlling interests, preferred dividends and other items.

- **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.

- **Group life and health book premiums** - For group life and health insurance, this measure represents the value of in-force premiums at the end of the reporting period.

- **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	
	December 31, 2023	December 31, 2022
United States dollar	1.36	1.36
British pound	1.69	1.59
Euro	1.47	1.39

- **Market experience relative to expectations** - 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; and
  - other market impacts on general account assets and the insurance and investment contract liabilities they support that cannot be attributed to expectations within the period.

- **Net cash flows and net 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.
  - PanAgora net flows include institutional sales and redemptions.

- **Net earnings from continuing operations** - Defined as net earnings - common shareholders less net earnings (loss) from discontinued operations. The discontinued operations represent the results of Putnam Investments. On January 1, 2024, Lifeco completed the previously announced sale of Putnam Investments to Franklin Resources, Inc., operating as "Franklin Templeton".

- **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 equity (ROE) - continuing operations** - Net earnings from continuing operations 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 shareholders' 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.

Selected Annual Information

Selected annual information (in $ millions, except per share amounts)	**IFRS 17 / 9 Presentation**		**IFRS 4 / IAS 39 Presentation**
	Years ended December 31		
	2023	2022 (Restated)	2021
Total revenue[1]	$ 41,629	$ 1,384	$ 64,417
Earnings			
Base earnings[2]	3,667	3,318	3,260
Net earnings from continuing operations	2,862	3,628	3,128
Net earnings - Common Shareholders	2,738	3,596	3,128
Earnings per common share			
Basic - base earnings[3]	3.94	3.56	3.51
Basic - net earnings from continuing operations	3.07	3.89	3.37
Basic - net earnings	2.94	3.86	3.37
Diluted - base earnings[3]	3.93	3.56	3.50
Diluted - net earnings from continuing operations	3.07	3.89	3.36
Diluted - net earnings	2.93	3.86	3.36
Total assets under administration			
Total assets	$ 713,230	$ 672,206	$ 630,488
Continuing operations - other assets under management[4]	220,578	182,288	377,155
Discontinued operations - other assets under management[4]	161,566	149,446	—
Total assets under management[2]	1,095,374	1,003,940	1,007,643
Other assets under administration[4]	1,757,166	1,464,523	1,283,949
Total assets under administration[2]	$ 2,852,540	$ 2,468,463	$ 2,291,592
Total liabilities	$ 683,379	$ 643,411	$ 600,005
Dividends paid per share			
Series F First Preferred[5]	—	—	1.4750
Series G First Preferred	1.3000	1.3000	1.3000
Series H First Preferred	1.21252	1.21252	1.21252
Series I First Preferred	1.1250	1.1250	1.1250
Series L First Preferred	1.41250	1.41250	1.41250
Series M First Preferred	1.450	1.450	1.450
Series N First Preferred[6]	0.437252	0.437252	0.437252
Series P First Preferred	1.350	1.350	1.350
Series Q First Preferred	1.2875	1.2875	1.2875
Series R First Preferred	1.200	1.200	1.200
Series S First Preferred	1.312500	1.312500	1.312500
Series T First Preferred	1.2875	1.2875	1.2875
Series Y First Preferred[7]	1.1250	1.1250	0.2589
Common	2.080	1.960	1.804

1 Total revenue excludes revenue from discontinued operations related to Putnam Investments for the periods presented under IFRS 17 and 9. Total revenue comprises of insurance revenue, net investment income, changes in fair value through profit or loss on investment assets and fee and other income.

2 This metric is a non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures and Ratios" section of this document for additional details.

3 This metric is a non-GAAP ratio. Refer to the "Non-GAAP Financial Measures and Ratios" section of this document for additional details.

4 Refer to the "Glossary" section of this document for additional details on the composition of this measure.

5 On December 31, 2021, Lifeco redeemed all of its outstanding 5.90% Non-Cumulative First Preferred Shares, Series F, at a redemption price of $25.00 per share plus an amount equal to all declared and unpaid dividends, less any tax required to be deducted and withheld by Lifeco.

6 The Series N First Preferred Share dividend was reset to a five year fixed dividend rate of 1.749% per annum which applies until December 30, 2025.

7 On October 8, 2021, the Company issued 8,000,000, 4.50% Non-Cumulative First Preferred Shares, Series Y. Please refer to the "Lifeco Capital Structure" section of this document for additional details on the issuance.

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. Management evaluated the effectiveness of the Company's disclosure controls and procedures as at December 31, 2023 and, based on such evaluation, the President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective.

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.

The Company's management, under the supervision of the President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer, has evaluated the effectiveness of the Company's internal control over financial reporting based on the 2013 *Internal Control - Integrated Framework* (COSO Framework) published by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management adopted the revised 2013 COSO Framework in 2015 as the basis to evaluate the effectiveness of Lifeco's internal control over financial reporting.

During the twelve months ended December 31, 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. Management evaluated the effectiveness of the Company's internal control over financial reporting as at December 31, 2023 and, based on such evaluation, the President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer have concluded that the Company's internal control over financial reporting is effective and that there are no material weaknesses in 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 December 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 IPC, which the Company acquired on November 30, 2023.

During the year ended December 31, 2023, the acquired IPC had revenue of $29 million and net earnings of $1 million post-tax. The initial amounts assigned to the assets acquired and goodwill on November 30, 2023 and reported as at December 31, 2023 were $927 million. The initial amounts assigned to the liabilities assumed on November 30, 2023 and reported as at December 31, 2023 were $342 million with the final valuation of the assets acquired and liabilities assumed expected to occur by the end of the fourth quarter of 2024.

Transactions with Related Parties

Relationship with Power Corporation Group of Companies

Lifeco's controlling shareholder is Power Financial Corporation (Power Financial), which is controlled by Power Corporation of Canada (Power Corporation) and, ultimately, by the Desmarais Family Residuary Trust. Power Corporation also controls IGM Financial Inc. and its subsidiaries (IGM), Sagard Holdings Inc. (Sagard), a multi-strategy alternative asset manager, as well as Portag3 Ventures II Limited Partnership (Portag3), which invests in the FinTech sector and in which both Lifeco and IGM are investors. Some of these related entities operate in similar or related sectors to those in which Lifeco's subsidiaries operate. A number of the Company's directors are also directors or officers of Power Corporation or one of its affiliates.

Lifeco's relationship with Power Financial, Power Corporation, IGM, Sagard, Portag3 and other members of the Power Corporation group of companies enables Lifeco to access expertise and industry knowledge, achieve economies of scale and access investment opportunities. As a result of these relationships, Lifeco and other members of the Power Corporation group of companies may become aware of opportunities that are also of potential interest to other members of the group and Lifeco may share information for that purpose. Power Corporation and Power Financial from time to time also assist Lifeco to identify and analyze strategic corporate opportunities that may be of potential interest to it. However, Power Corporation and Power Financial have no commitment to Lifeco that would require them or their respective subsidiaries, directors or officers to offer any particular opportunity to Lifeco.

The Company has related party procedures that require, among other things, transactions between the Company and its subsidiaries and any member of the Power Corporation group of companies to be on terms no less favourable than market terms or where there is no open market, on terms that would reasonably be expected to provide at least fair value to the Company. Under the related party procedures, any material related party transactions must be reviewed and approved by a conduct review committee composed entirely of directors who are independent of management and Power Corporation and its affiliates.

On November 30, 2023, Canada Life completed the previously announced acquisition of IPC, a leading independent wealth management firm, from IGM. Canada Life acquired IPC for a total purchase consideration of $585 million. 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. Therefore, the transaction was reviewed and approved by the Conduct Review Committee of each of the Company and Canada Life.

Other Transactions with Related Parties

In the normal course of business, subsidiaries of Lifeco enter into various transactions with related companies which include providing insurance benefits and sub-advisory services to other companies within the Power Corporation group of companies. In all cases, transactions were at market terms and conditions.

During the year, Canada Life provided to and received from IGM and its subsidiaries, a member of the Power Corporation group of companies, certain administrative and information technology services. Canada Life also provided life insurance, annuity and disability insurance products under a distribution agreement with IGM. In addition, Canada Life provided distribution services to IGM. All transactions were provided at market terms and conditions.

The Company owns 9,200,448 shares, held through Canada Life, representing a 3.86% ownership interest in IGM. The Company uses the equity method to account for its investment in IGM as it exercises significant influence. In 2023, the Company recognized $33 million for the equity method share of IGM net earnings and received dividends of $21 million from its investment in IGM.

Segregated funds of the Company were invested in funds managed by IG Wealth Management and Mackenzie Investments. Mackenzie Investments also manages certain of the Company's portfolio investments. The Company also has interests in mutual funds, open-ended investment companies and unit trusts. Some of these funds are sub-advised by related parties of the Company, who are paid sub-advisory fees related to these services. During 2022, the Company and its subsidiaries made additional investments in funds managed by related parties. All transactions were provided at market terms and conditions.

At December 31, 2023, the Company held $88 million ($85 million in 2022) of debentures issued by IGM.

On July 6, 2023, Sagard Holdings Inc. (Sagard), a wholly-owned subsidiary of Power Corporation, announced that the relationship between the Company and Sagard had expanded, both in terms of the Company's minority interest in Sagard and commitments into certain Sagard strategies. The increase in the minority interest in Sagard is immaterial to the Company and commitment to certain Sagard strategies has increased to approximately U.S. $700 million.

The Company provides asset management, employee benefits and administrative services for employee benefit plans relating to pension and other post-employment benefits for employees of the Company and its subsidiaries. These transactions were provided at market terms and conditions.

There were no material loans or guarantees issued to or from related parties during 2023 or 2022. There were no significant outstanding loans or guarantees with related parties at December 31, 2023 or December 31, 2022. There were no provisions for uncollectible amounts with related parties at December 31, 2023 or December 31, 2022.

Quarterly Financial Information

Quarterly financial information
(in $ millions, except per share amounts)

	2023				2022 (Restated)			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total revenue[1]	$ 20,205	$ 3,374	$ 5,940	$ 12,110	$ 10,250	$ 556	$ (5,581)	$ (3,841)
Net earnings from continuing operations[2]								
Total	$ 743	$ 936	$ 569	$ 614	$ 478	$ 986	$ 830	$ 1,334
Basic - per share	0.80	1.01	0.61	0.66	0.51	1.06	0.89	1.43
Diluted - per share	0.79	1.00	0.61	0.66	0.51	1.06	0.89	1.43
Net earnings - Common Shareholders								
Total	$ 740	$ 905	$ 498	$ 595	$ 452	$ 987	$ 823	$ 1,334
Basic - per share	0.79	0.97	0.53	0.64	0.48	1.06	0.88	1.43
Diluted - per share	0.79	0.97	0.53	0.64	0.48	1.06	0.88	1.43

1 Total revenue excludes revenue from discontinued operations related to Putnam Investments.

2 Refer to the "Glossary" section of this document for additional details on the composition of this measure.

Lifeco's consolidated net earnings attributable to common shareholders were $740 million for the fourth quarter of 2023 compared to $452 million for the same quarter last year. On a per share basis, this represents $0.79 per common share ($0.79 diluted) for the fourth quarter of 2023 compared to $0.48 per common share ($0.48 diluted) a year ago.

Total revenue for the fourth quarter of 2023 was $20,205 million and comprises insurance revenue of $5,174 million ($5,442 million for the same quarter last year), net investment income of $2,431 million ($2,085 million for the same quarter last year), a change in fair value through profit or loss on investment assets of positive $11,042 million (change of positive $1,351 million for the same quarter last year) and fee and other income of $1,558 million ($1,372 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:

Period ended	Dec. 31 2023	Sept. 30 2023	June 30 2023	Mar. 31 2023	Dec. 31 2022	Sept. 30 2022	June 30 2022	Mar. 31 2022
United States dollar								
Balance sheet	$ 1.33	$ 1.36	$ 1.32	$ 1.35	$ 1.35	$ 1.38	$ 1.29	$ 1.25
Income and expenses	$ 1.36	$ 1.34	$ 1.34	$ 1.35	$ 1.36	$ 1.31	$ 1.28	$ 1.27
British pound								
Balance sheet	$ 1.69	$ 1.66	$ 1.68	$ 1.67	$ 1.64	$ 1.54	$ 1.57	$ 1.64
Income and expenses	$ 1.69	$ 1.70	$ 1.68	$ 1.64	$ 1.59	$ 1.54	$ 1.60	$ 1.70
Euro								
Balance sheet	$ 1.46	$ 1.44	$ 1.45	$ 1.47	$ 1.45	$ 1.35	$ 1.35	$ 1.38
Income and expenses	$ 1.47	$ 1.46	$ 1.46	$ 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.sedarplus.com.

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(in Canadian $ millions except per share amounts)	For the years ended December 31 2023	2022 (Restated)
Insurance service result		
Insurance revenue (note 12)	$ 20,402	$ 19,632
Insurance service expenses (note 13)	(15,777)	(15,272)
Net expense from reinsurance contracts	(1,544)	(1,531)
	3,081	2,829
Net investment result (note 6)		
Net investment income	8,864	7,594
Changes in fair value on fair value through profit or loss assets	6,489	(31,000)
	15,353	(23,406)
Net finance income (expenses) from insurance contracts	(9,238)	18,809
Net finance income (expenses) from reinsurance contracts	224	(1,251)
Changes in investment contract liabilities	(4,806)	8,454
	1,533	2,606
Net investment result - insurance contracts on account of segregated fund policyholders		
Net investment income (loss)	4,808	(4,130)
Net finance income (expenses) from insurance contracts	(4,808)	4,130
	—	—
Other income and expenses		
Fee and other income	5,874	5,158
Operating and administrative expenses (note 13)	(6,402)	(5,604)
Amortization of finite life intangible assets (note 9)	(366)	(354)
Financing costs (note 19)	(426)	(393)
Restructuring and integration expenses	(226)	(178)
Earnings before income taxes	3,068	4,064
Income taxes (note 29)	53	394
Net earnings from continuing operations before non-controlling interests	3,015	3,670
Attributable to non-controlling interests (note 21)	23	(88)
Net earnings from continuing operations before preferred share dividends	2,992	3,758
Preferred share dividends (note 23)	130	130
Net earnings from continuing operations	2,862	3,628
Net earnings (loss) from discontinued operations (note 4)	(124)	(32)
Net earnings - common shareholders	$ 2,738	$ 3,596
Earnings per common share (note 23)		
Basic	$ 2.94	$ 3.86
Diluted	$ 2.93	$ 3.86
Earnings per common share from continuing operations (note 23)		
Basic	$ 3.07	$ 3.89
Diluted	$ 3.07	$ 3.89

(in Canadian $ millions)	For the years ended December 31 2023	2022 (Restated)
Net earnings - common shareholders, before preferred dividends	$ 2,868	$ 3,726
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	(19)	422
Unrealized gains (losses) on hedges of the net investment in foreign operations	(64)	88
Income tax (expense) benefit	(6)	28
Unrealized gains (losses) on bonds and mortgages at fair value through other comprehensive income	281	(1,193)
Income tax (expense) benefit	(97)	223
Realized (gains) losses on bonds and mortgages at fair value through other comprehensive income	248	71
Income tax expense (benefit)	(19)	(8)
Unrealized gains (losses) on cash flow hedges	133	(45)
Income tax (expense) benefit	(36)	12
Realized (gains) losses on cash flow hedges	(94)	—
Income tax expense (benefit)	25	—
Non-controlling interests	(135)	257
Income tax (expense) benefit	40	(74)
Total items that may be reclassified	257	(219)
Items that will not be reclassified to Consolidated Statements of Earnings		
Re-measurements on defined benefit pension and other post-employment benefit plans (note 26)	(127)	505
Income tax (expense) benefit	36	(130)
Non-controlling interests	11	(41)
Income tax (expense) benefit	(3)	11
Total items that will not be reclassified	(83)	345
Total other comprehensive income (loss)	174	126
Comprehensive income	$ 3,042	$ 3,852

(in Canadian $ millions)	December 31 2023	December 31 2022 (Restated)	January 1 2022 (Restated)
Assets			
Cash and cash equivalents (note 5)	$ 7,742	$ 7,290	$ 6,075
Bonds (note 6)	157,051	156,091	142,655
Mortgage loans (note 6)	38,414	37,197	29,357
Stocks (note 6)	15,733	14,301	14,225
Investment properties (note 6)	7,870	8,344	7,763
	226,810	223,223	200,075
Insurance contract assets (note 14)	1,193	1,140	1,533
Reinsurance contract held assets (note 15)	17,332	17,571	21,843
Assets held for sale (note 4)	4,467	—	—
Goodwill (note 9)	11,249	10,611	9,107
Intangible assets (note 9)	4,484	6,230	5,514
Derivative financial instruments (note 30)	2,219	2,314	967
Owner occupied properties (note 10)	731	724	736
Fixed assets (note 10)	335	399	422
Accounts and interest receivable	4,863	4,355	3,210
Other assets (note 11)	14,483	15,949	14,435
Current income taxes	260	338	268
Deferred tax assets (note 29)	1,848	1,470	1,325
Investments on account of segregated fund policyholders (note 17)	422,956	387,882	357,419
Total assets	$ 713,230	$ 672,206	$ 616,854
Liabilities			
Insurance contract liabilities (note 14)	$ 144,388	$ 135,438	$ 157,910
Investment contract liabilities (note 16)	88,919	94,810	53,694
Reinsurance contract held liabilities (note 15)	648	537	1,290
Liabilities held for sale (note 4)	2,407	—	—
Debentures and other debt instruments (note 18)	9,046	10,509	8,804
Derivative financial instruments (note 30)	1,288	1,639	1,030
Accounts payable	3,216	2,758	2,469
Other liabilities (note 20)	9,587	8,913	6,293
Current income taxes	137	152	193
Deferred tax liabilities (note 29)	787	773	677
Insurance contracts on account of segregated fund policyholders (note 17)	60,302	57,841	65,253
Investment contracts on account of segregated fund policyholders (note 17)	362,654	330,041	292,166
Total liabilities	683,379	643,411	589,779
Equity			
Non-controlling interests (note 21)			
Participating account surplus in subsidiaries	2,847	2,734	2,984
Non-controlling interests in subsidiaries	168	152	130
Shareholders' equity			
Share capital (note 22)			
Limited recourse capital notes	1,500	1,500	1,500
Preferred shares	2,720	2,720	2,720
Common shares	6,000	5,791	5,748
Accumulated surplus	15,492	14,976	13,214
Accumulated other comprehensive income (note 27)	890	713	587
Contributed surplus	234	209	192
Total equity	29,851	28,795	27,075
Total liabilities and equity	$ 713,230	$ 672,206	$ 616,854

Approved by the Board of Directors:

Signed,	Signed,
Jeffrey Orr	Paul Mahon
Chair of the Board	President and Chief Executive Officer

(in Canadian $ millions)

	December 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 - common shareholders, before preferred dividends	—	—	2,868	—	23	2,891
Other comprehensive income (loss)	—	—	—	174	87	261
	10,011	209	17,811	890	2,996	31,917
Dividends to shareholders						
Preferred shareholders (note 23)	—	—	(130)	—	—	(130)
Common shareholders	—	—	(1,937)	—	—	(1,937)
Issued in business acquisition	89	—	—	—	—	89
Shares exercised and issued under share-based payment plans (note 22)	158	(51)	—	—	36	143
Shares purchased and cancelled under normal course issuer bid (note 22)	(233)	—	—	—	—	(233)
Excess of redemption proceeds over stated capital per normal course issuer bid (note 22)	195	—	(195)	—	—	—
Equity settlement of Putnam share-based plans	—	—	—	—	(13)	(13)
Shares cancelled under Putnam share-based plans	—	3	—	—	2	5
Share-based payment plans expense	—	73	—	—	—	73
Acquisition of non-controlling interest in subsidiary	—	—	(27)	—	(36)	(63)
Dilution loss on non-controlling interests	—	—	(30)	—	30	—
Balance, end of year	$ 10,220	$ 234	$ 15,492	$ 890	$ 3,015	$ 29,851

	December 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 initial application of IFRS 9 overlay (note 3)	—	—	1,625	(45)	364	1,944
Revised balance, beginning of year	9,968	192	13,214	587	3,114	27,075
Net earnings - common shareholders, before preferred dividends	—	—	3,726	—	(88)	3,638
Other comprehensive income (loss)	—	—	—	126	(153)	(27)
	9,968	192	16,940	713	2,873	30,686
Dividends to shareholders						
Preferred shareholders (note 23)	—	—	(130)	—	—	(130)
Common shareholders	—	—	(1,826)	—	—	(1,826)
Shares exercised and issued under share-based payment plans (note 22)	43	(54)	—	—	50	39
Equity settlement of Putnam share-based plans	—	—	—	—	(66)	(66)
Shares cancelled under Putnam share-based plans	—	4	—	—	(4)	—
Share-based payment plans expense	—	67	—	—	—	67
Preferred share redemption costs	—	—	(4)	—	—	(4)
Recognition of non-controlling interest	—	—	—	—	15	15
Disposal of investment in subsidiary	—	—	8	—	6	14
Dilution loss on non-controlling interests	—	—	(12)	—	12	—
Balance, end of year	$ 10,011	$ 209	$ 14,976	$ 713	$ 2,886	$ 28,795

(in Canadian $ millions)	For the years ended December 31 2023	2022 (Restated)
Operations [1]		
Earnings before income taxes	$ 2,914	$ 4,039
Income taxes paid, net of refunds received	(423)	(348)
Adjustments:		
Change in insurance contract liabilities	9,316	(25,355)
Change in investment contract liabilities	(4,561)	(8,124)
Change in reinsurance contract held liabilities	170	(1,232)
Change in reinsurance contract held assets	5	5,614
Change in insurance contract assets	(480)	1,168
Changes in fair value through profit or loss	(6,489)	31,000
Sales, maturities and repayments of portfolio investments	38,507	34,449
Purchases of portfolio investments	(35,253)	(37,553)
Other	1,497	114
	5,203	3,772
Financing Activities		
Issue of common shares	158	43
Purchased and cancelled common shares	(233)	—
Issue of euro denominated debt	—	691
Repayment of euro denominated debt	(735)	—
Increase in line of credit of subsidiaries	61	1,096
Decrease in line of credit of subsidiaries	(734)	(495)
Increase in debentures and other debt instruments	—	5
Preferred share redemption costs	—	(4)
Dividends paid on common shares	(1,937)	(1,826)
Dividends paid on preferred shares	(130)	(130)
	(3,550)	(620)
Investment Activities [1]		
Investment in associates and joint ventures	(223)	(63)
Business acquisitions, net of cash and cash equivalents acquired	(563)	(2,155)
	(786)	(2,218)
Effect of changes in exchange rates on cash and cash equivalents	(40)	281
Increase in cash and cash equivalents	827	1,215
Cash and cash equivalents, beginning of year	7,290	6,075
Cash and cash equivalents from continuing and discontinued operations, end of year	$ 8,117	$ 7,290
Less: Cash and cash equivalents from discontinued operations, end of year (note 4)	375	—
Cash and cash equivalents from continuing operations, end of year	$ 7,742	$ 7,290
Supplementary cash flow information		
Interest income received	$ 7,332	$ 5,833
Interest paid	453	408
Dividend income received	422	403

[1] The cash flows related to the sales, maturities, repayments and purchases of portfolio investments have been reclassified to the Operations section to better represent the operating cash flows of the Company. This activity had previously been presented in the Investment Activities section.

PART B
GREAT-WEST LIFECO INC.

(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). [1]

The consolidated financial statements (financial statements) of the Company as at and for the year ended December 31, 2023 were approved by the Board of Directors on February 14, 2024.

[1] Subsequent to December 31, 2023, on January 1, 2024, Lifeco completed the sale of Putnam US Holdings I, LLC (excluding PanAgora Holdings Inc. and its subsidiary PanAgora Asset Management Inc.) to Franklin Resources Inc. (note 4). Putnam US Holdings I, LLC was a subsidiary of Putnam Investments, LLC.

2. Basis of Presentation and Summary of Material Accounting Policies

The consolidated financial statements of the Company have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Consistent accounting policies were applied in the preparation of the consolidated financial statements of the subsidiaries of the Company.

Changes in Accounting Policies

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 International Accounting Standard 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 as 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.

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 accounting policies materially impacted by the adoption of IFRS 17 and IFRS 9 are included in sections (a) Portfolio Investments, (h) Derivative Financial Instruments and Hedging, and (o) Insurance Contracts, Investment Contracts and Reinsurance Contracts Held below.

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.

The Company adopted the amendments to IFRS for IAS 12, *Income Taxes* effective May 2023 and has applied the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two model rules published by the Organization for Economic Co-operation and Development (OECD).

Basis of Consolidation

The consolidated financial statements of the Company were prepared as at and for the year ended December 31, 2023 with comparative information as at and for the year ended December 31, 2022. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The Company has control when it has the power to direct the relevant activities, has significant exposure to variable returns from these activities and has the ability to use its power to affect the variable returns. All intercompany balances and transactions, including income and expenses, profits or losses and dividends, are eliminated on consolidation.

Use of Significant Judgments, Estimates and Assumptions

In preparation of these consolidated 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 listed below and discussed throughout the notes to these consolidated financial statements including:

- Management applies judgment in determining the fair value of assets acquired and liabilities assumed in a business combination.
- Management applies judgment in determining the assets and liabilities to be included in a disposal group, and uses estimates in the determination of the fair value for disposal groups, including contingent consideration and costs to sell (note 4).

- Management uses independent qualified appraisal services to determine the fair value of investment properties, which utilize judgments and estimates. These appraisals are adjusted by applying management judgments and estimates for material changes in property cash flows, capital expenditures or general market conditions (note 6).
- Management uses internal valuation models which utilize judgments and estimates to determine the fair value of equity release mortgages. These valuations are adjusted by applying management judgments and estimates for material changes in projected asset cash flows, and discount rates (note 6).
- In the determination of the fair value of financial instruments, the Company's management exercises judgment in the determination of fair value inputs, particularly those items categorized within level 3 of the fair value hierarchy (note 8).
- Cash generating units for intangible assets and cash generating unit groupings for goodwill have been determined by management as the lowest level that the assets are monitored for internal reporting purposes, which requires management judgment in the determination of the lowest level of monitoring (note 9).
- Management evaluates the future benefit for initial recognition and measurement of goodwill and intangible assets as well as testing the recoverable amounts. The determination of the carrying value and recoverable amounts of the cash generating unit groupings for goodwill and cash generating units for intangible assets relies upon the determination of fair value or value-in-use using valuation methodologies (note 9).
- Management applies judgment in determining whether deferred acquisition costs and deferred income reserves can be recognized on the Consolidated Balance Sheets. Deferred acquisition costs are recognized if management determines the costs meet the definition of an asset, are incremental and related to the issuance of the investment contract (notes 11 and 20).
- Management applies judgment when evaluating 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 judgment and estimation (notes 14 and 16).
- Management applies 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.
- The Company considers all terms of contracts it issues to determine whether there are amounts payable to the policyholder in all circumstances, regardless of contract cancellation, maturity, and the occurrence or non-occurrence of an insured event. Some amounts, once paid by the policyholder, are repayable to the policyholder in all circumstances. The Company considers such payments to meet the definition of an investment component, irrespective of whether the amount repayable varies over the term of the contract as the amount is repayable only after it has first been paid by the policyholder.
- 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 (note 14).
- When determining the risk adjustment for non-financial risk, the Company applies judgment in reflecting diversification and calculating the 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 and subsequently, 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 judgment in determining that obtaining reasonable and supportable information to apply the full retrospective approach was impracticable without undue cost or effort.
- The Company used judgment in determining which insurance contracts to apply the fair value approach to upon transition to IFRS 17, and applied significant judgment in determining the critical assumptions and estimates in determining the fair value for these contracts.
- 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.
- The actuarial assumptions used in determining the expense and benefit obligations for the Company’s defined benefit pension plans and other post-employment benefits requires judgment and estimation. Management reviews previous experience of its plan members and market conditions including interest rates and inflation rates in evaluating the assumptions used in determining the expense for the current year (note 26).
- The Company operates within various tax jurisdictions where management judgments and estimates are required when interpreting the relevant tax laws, regulations and legislation in the determination of the Company’s tax provisions and the carrying amounts of its tax assets and liabilities (note 29).

- Management applies judgment in assessing the recoverability of the deferred income tax asset carrying values based on future years' taxable income projections (note 29).
- Legal and other provisions are recognized resulting from a past event which, in the judgment of management, has resulted in a probable outflow of economic resources which would be passed to a third-party to settle the obligation. Management applies judgment in evaluating the possible outcomes and risks in determining the best estimate of the provision at the balance sheet date (note 31).
- The operating segments of the Company are the segments reviewed by the Company's Chief Executive Officer to assess performance and allocate resources within the Company. Management applies judgment in the aggregation of the business units into the Company's operating segments (note 33).
- The Company consolidates all subsidiaries and entities which management determines that the Company controls. Control is evaluated on the ability of the Company to direct the activities of the subsidiary or entity to derive variable returns and management applies judgment in determining whether control exists. Judgment is exercised in the evaluation of the variable returns and in determining the extent to which the Company has the ability to exercise its power to generate variable returns.
- Management applies judgment when determining whether the Company retains the primary obligation with a client in sub-advisor arrangements. Where the Company retains the primary obligation to the client, revenue and expenses are recorded on a gross basis.
- The results of the Company reflect management's judgments regarding the impact of prevailing global credit, equity and foreign exchange market conditions. The Company's practice is to use third-party independent credit ratings where available. Judgment is required when setting credit ratings for instruments that do not have a third-party rating.

The material accounting policies are as follows:

(a) Portfolio Investments

Portfolio investments include bonds, mortgage loans, stocks and investment properties.

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 within net investment result in the Consolidated Statements of Earnings.

Investment properties are real estate held to earn rental income or for capital appreciation. Investment properties are initially measured at cost and subsequently carried at fair value on the Consolidated Balance Sheets. All changes in fair value are recorded within the net investment result in the Consolidated Statements of Earnings. Properties held to earn rental income or for capital appreciation that have an insignificant portion that is owner occupied or where there is no intent to occupy on a long-term basis are classified as investment properties. Properties that do not meet these criteria are classified as owner occupied properties. Property that is leased that would otherwise be classified as investment property if owned by the Company is also included within investment properties.

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 for 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 FVTPL portfolio.

Investment Properties

Fair values for investment properties are determined using independent qualified appraisal services and include management adjustments for material changes in property cash flows, capital expenditures or general market conditions in the interim period between appraisals. The determination of the fair value of investment property requires the use of estimates including 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 conditions. Investment property under construction is valued at fair value if such values can be reliably determined; otherwise they are recorded at cost.

Net Investment Income Recognition

Interest income on bonds and mortgages is recognized and accrued using the effective interest method.

Dividend income is recognized when the right to receive payment is established. This is the ex-dividend date for listed stocks, and usually the notification date or date when the shareholders have approved the dividend for private equity instruments.

Investment property income includes rents earned from tenants under lease agreements and property tax and operating cost recoveries. Rental income leases with contractual rent increases and rent-free periods are recognized on a straight-line basis over the term of the lease.

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.

The Company monitors all financial assets that are subject to impairment for significant increases in credit risk. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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 within the net investment result in the Consolidated Statements of Earnings.

Modified Financial Assets

The contractual terms of a financial asset may be modified for a number of reasons, including changing market conditions and other factors not related to a current or potential credit deterioration of the borrower. An existing financial asset whose terms have been modified may be derecognized and the renegotiated asset recognized as a new financial asset at fair value in accordance with the Company's accounting policies.

If modification does not result in derecognition, the financial asset continues to be subject to the assessment for significant increase in credit risk relative to initial recognition. Expected cash flows arising from the modified contractual terms are considered when calculating the ECL for the modified asset. For loans that were modified while having lifetime ECLs, such loans can revert to having 12-month ECLs if the borrower's financial condition improves.

Definition of Default

The definition of default used in the measurement of ECL is consistent with the definition used for the Company's internal credit risk management purposes. A financial asset is considered to be in default when the issuer is unlikely to meet its credit obligations in full or when it is 90 days past due. The definition of default may differ across financial assets and considers qualitative factors, such as financial covenants and other indicators of financial distress, as well as quantitative factors, such as non-payment of other obligations by the same issuer. The Company uses data from internal and external sources when assessing whether an asset is in default.

Securities Lending

The Company engages in securities lending through its securities custodians as lending agents. Loaned securities are not derecognized, and continue to be reported within invested assets, as the Company retains substantial risks and rewards and economic benefits related to the loaned securities.

(b) Transaction Costs

Transaction costs are expensed as incurred for financial instruments classified as FVTPL. Transaction costs are capitalized for all other classifications of financial instruments at acquisition, and taken into net earnings using the effective interest method for fixed income instruments or when sold for equity instruments.

(c) Cash and Cash Equivalents

Cash and cash equivalents comprise cash, current operating accounts, overnight bank and term deposits with maturities of three months or less held for the purpose of meeting short-term cash requirements. Net payments in transit and overdraft bank balances are included in other liabilities.

(d) Trading Account Assets

Trading account assets consist of investments in sponsored funds, open ended investment companies and sponsored unit-trusts, which are carried at fair value based on the net asset value of these funds. Investments in these assets are included in other assets on the Consolidated Balance Sheets with realized and unrealized gains and losses reported in the Consolidated Statements of Earnings.

(e) Debentures and Other Debt Instruments and Capital Trust Securities

Debentures and other debt instruments and capital trust securities are initially recorded on the Consolidated Balance Sheets at fair value and subsequently carried at amortized cost using the effective interest method with amortization expense recorded in financing costs in the Consolidated Statements of Earnings. These liabilities are derecognized when the obligation is cancelled or redeemed.

(f) Other Assets and Other Liabilities

Other assets, which include prepaid expenses, deferred acquisition costs, finance leases receivable, right-of-use assets and other miscellaneous assets, are measured at cost or amortized cost. Other liabilities, which include deferred income reserves, bank overdraft, lease liabilities and other miscellaneous liabilities are measured at cost or amortized cost.

Provisions are recognized within other liabilities when the Company has a present obligation, either legal or constructive, resulting from a past event, and in management's judgment, it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the amount. The amount recognized for provisions are management's best estimate at the balance sheet date. The Company recognizes a provision for restructuring when a detailed formal plan for the restructuring has been established and that the plan has raised a valid expectation in those affected that the restructuring will occur.

Pension and other post-employment benefits also included within other assets and other liabilities are measured in accordance with note 2(s).

(g) Disposal Group Classified As Held For Sale and Discontinued Operations

Disposal groups are classified as held for sale when the carrying amount will be recovered through a sale transaction rather than continuing use. The fair value of a disposal group is measured at the lower of its carrying amount and fair value less costs to sell. Individual assets and liabilities in a disposal group not subject to these measurement requirements include financial assets, investment properties and insurance contract liabilities. These assets and liabilities are measured in accordance with the relevant accounting policies described for those assets and liabilities included in this note before the disposal group as a whole is measured to the lower of its carrying amount and fair value less cost to sell. Any impairment loss for the disposal group is recognized as a reduction to the carrying amount for the portion of the disposal group under the measurement requirements for IFRS 5, *Non-Current Assets Held for Sale and Discontinued Operations.*

Disposal group assets and liabilities classified as held for sale are presented separately on the Company’s Consolidated Balance Sheets. Gains and losses from disposal groups held for sale are presented separately in the Company’s Consolidated Statements of Earnings.

A disposal group qualifies as a discontinued operation if it is a component of an entity for which operations and cash flows can be clearly distinguished from the rest of the Company, that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal and when the operation meets the criteria to be classified as held for sale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount in net earnings (loss) from discontinued operations in the Consolidated Statements of Earnings.

When an operation is classified as a discontinued operation, the comparative Consolidated Statements of Earnings is re-presented as if the operation had been discontinued from the beginning of the comparative year.

(h) Derivative Financial Instruments and Hedging

The Company uses derivative products as risk management instruments to hedge or manage asset, liability and capital positions, including fee and investment income. The Company’s policy guidelines prohibit the use of derivative instruments for speculative trading purposes.

The Company includes disclosure of the maximum credit risk, future credit exposure, credit risk equivalent and risk weighted equivalent in note 30 as prescribed by the Office of the Superintendent of Financial Institutions (OSFI) in Canada.

All derivatives including those that are embedded in financial and non-financial contracts that are not closely related to the host contracts are recorded at fair value on the Consolidated Balance Sheets. The method of recognizing unrealized and realized fair value gains and losses depends on whether the derivatives are designated as hedging instruments. For derivatives that are not designated as hedging instruments, unrealized and realized gains and losses are recorded within the net investment result in the Consolidated Statements of Earnings. For derivatives designated as hedging instruments, unrealized and realized gains and losses are recognized according to the nature of the hedged item.

Derivatives are valued using market transactions and other market evidence whenever possible, including market based inputs to models, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency. When models are used, the selection of a particular model to value a derivative depends on the contractual terms of, and specific risks inherent in, the instrument, as well as the availability of pricing information in the market. The Company generally uses similar models to value similar instruments. Valuation models require a variety of inputs, including contractual terms, market prices and rates, yield curves, credit curves, measures of volatility, prepayment rates and correlations of such inputs.

To qualify for hedge accounting, the relationship between the hedged item and the hedging instrument must meet several strict conditions on documentation, probability of occurrence, hedge effectiveness and reliability of measurement. If these conditions are not met, the relationship does not qualify for hedge accounting treatment and both the hedged item and the hedging instrument are reported independently as if there was no hedging relationship.

Where a hedging relationship exists, the Company documents all relationships between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. This process includes linking derivatives that are used in hedging transactions to specific assets and liabilities on the Consolidated Balance Sheets or to specific firm commitments or forecasted transactions. The Company also assesses, both at the hedge's inception and on an ongoing basis, whether derivatives that are used in hedging transactions are effective in offsetting changes in fair values or cash flows of hedged items. Hedge effectiveness is reviewed quarterly through correlation testing. Hedge accounting is discontinued when the hedging no longer qualifies for hedge accounting.

Derivatives Not Designated as Hedges for Accounting Purposes

For derivative investments not designated as accounting hedges, changes in fair value are recorded in the net investment result.

Fair Value Hedges

For fair value hedges, changes in fair value of both the hedging instrument and the hedged risk are recorded in the net investment result and consequently any ineffective portion of the hedge is recorded immediately in the net investment result.

The Company currently uses foreign exchange forward contracts designated as fair value hedges.

Cash Flow Hedges

For cash flow hedges, the effective portion of the changes in fair value of the hedging instrument is recorded in the same manner as the hedged item while the ineffective portion is recognized immediately in the net investment result. Gains and losses that accumulate in other comprehensive income are recorded in the net investment result in the same period the hedged item affects net earnings. Gains and losses on cash flow hedges are immediately reclassified from other comprehensive income to the net investment result if and when it is probable that a forecasted transaction is no longer expected to occur.

The Company currently uses interest rate swaps, cross-currency swaps and equity total return swaps designated as cash flow hedges.

Net Investment Hedges

For net investment hedges, the effective portion of changes in the fair value of the hedging instrument are recorded in other comprehensive income while the ineffective portion is recognized immediately in the net investment result. The unrealized foreign exchange gains (losses) on the instruments are recorded within accumulated other comprehensive income and will be reclassified into net earnings when the Company disposes of the foreign operation.

The Company currently uses cross-currency swaps, foreign exchange forward contracts, and debt instruments designated as net investment hedges.

(i) Foreign Currency Translation

The Company operates with multiple functional currencies. The Company's consolidated financial statements are presented in Canadian dollars as this presentation is most meaningful to financial statement users. For those subsidiaries with different functional currencies, exchange rate differences arising from the translation of monetary items that form part of the net investment in the foreign operation are recorded in unrealized foreign exchange gains (losses) on translation of foreign operations in other comprehensive income.

For the purpose of presenting consolidated financial statements, assets and liabilities are translated into Canadian dollars at the rate of exchange prevailing at the balance sheet dates and all income and expense items are translated at an average of daily rates. Unrealized foreign currency translation gains and losses on translation of the Company's net investment in its foreign operations are presented separately as a component of other comprehensive income. Unrealized gains and losses will be recognized proportionately within the Consolidated Statements of Earnings when there has been a disposal of the investment in the foreign operations.

Foreign currency translation gains and losses on foreign currency transactions of the Company are included in the net investment result.

(j) Business Combinations, Goodwill and Intangible Assets

Business combinations are accounted for using the acquisition method. The Company identifies and classifies, in accordance with the Company's accounting policies, all assets acquired and liabilities assumed as at the acquisition date. Goodwill represents the excess of purchase consideration over the fair value of net assets of the acquired subsidiaries of the Company. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

Intangible assets represent finite life and indefinite life intangible assets of acquired subsidiaries of the Company and software acquired or internally developed by the Company. Finite life intangible assets include the value of technology/software, certain customer contracts and distribution channels. These finite life intangible assets are amortized over their estimated useful lives, typically ranging between 3 and 30 years.

Indefinite life intangible assets include brands and trademarks, certain customer contracts and the shareholders' portion of acquired future participating account profits. Amounts are classified as indefinite life intangible assets when based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Company. The identification of indefinite life intangible assets is made by reference to relevant factors such as product life cycles, potential obsolescence, industry stability and competitive position. Following initial recognition, indefinite life intangible assets are measured at cost less accumulated impairment losses.

Impairment Testing

Goodwill and indefinite life intangible assets, including those resulting from an acquisition during the year, are tested for impairment annually or more frequently if events indicate that impairment may have occurred. Intangible assets that were previously impaired are reviewed at each reporting date for evidence of reversal. In the event that certain conditions have been met, the Company would be required to reverse the impairment loss or a portion thereof.

Goodwill has been allocated to cash generating unit groupings, representing the lowest level that the assets are monitored for internal reporting purposes. Goodwill is tested for impairment by comparing the carrying value of each cash generating unit grouping to its recoverable amount. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

Intangible assets have been allocated to cash generating units, representing the lowest level that the assets are monitored for internal reporting purposes.

Intangible assets with an indefinite useful life are reviewed annually to determine if there are indicators of impairment. If indicators of impairment have been identified, a test for impairment is performed and recognized as necessary. Impairment is assessed by comparing the carrying values of the assets to their recoverable amounts. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of the asset's fair value less costs of disposal and value-in-use.

Finite life intangible assets are reviewed annually to determine if there are indicators of impairment and assess whether the amortization periods and methods are appropriate. If indicators of impairment have been identified, a test for impairment is performed and then the amortization of these assets is adjusted or impairment is recognized as necessary.

(k) Fee and Other Income Recognition

Fee income includes fees earned from management of investment contracts on account of segregated fund policyholders, proprietary mutual fund assets, record-keeping, fees earned on administrative services only Group health contracts, commissions and fees earned from management services. Fee and other income is recognized on the transfer of services to customers for the amount that reflects the consideration expected to be received in exchange for those services promised.

The Company has sub-advisor arrangements where the Company retains the primary obligation with the client; as a result, fee income earned is reported on a gross basis with the corresponding sub-advisor expense recorded in operating and administrative expenses.

(l) Owner Occupied Properties and Fixed Assets

Property held for own use and fixed assets are carried at cost less accumulated depreciation, disposals and impairments. Depreciation is expensed over the estimated useful lives of the assets, using the straight-line method, on the following bases:

Owner occupied properties	15 - 20 years
Furniture and fixtures	5 - 10 years
Other fixed assets	3 - 10 years

Depreciation methods, useful lives and residual values are reviewed at least annually and adjusted if necessary.

(m) Deferred Acquisition Costs

Included in other assets are deferred acquisition costs related to investment contracts and service contracts. These are recognized as assets if the costs are incremental and incurred due to the contract being issued and are primarily amortized on a straight-line basis over the term of the contract, not to exceed 20 years.

(n) Segregated Funds

Segregated fund assets and liabilities arise from contracts where all financial risks associated with the related assets are borne by policyholders and are presented separately on the Consolidated Balance Sheets. The assets and liabilities are set equal to the fair value of the underlying asset portfolio. Segregated fund contacts are classified as insurance contracts or investment contracts following the classification criteria described in the accounting policy for Insurance Contracts, Investment Contracts and Reinsurance Contracts Held. Investment income and changes in fair value of the segregated fund assets are offset by a corresponding change in the segregated fund liabilities. The Company accounts for guarantees on its segregated fund products within insurance contract liabilities on the Consolidated Balance Sheets.

(o) Insurance Contracts, Investment Contracts and Reinsurance Contracts Held

Contract Classification

Insurance Contracts

Under IFRS 17, 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.

Investment Contracts

In the absence of significant insurance risk, the Company classifies contracts as investment contracts or service contracts. Investment contracts with discretionary participating features are accounted for in accordance with IFRS 17 and investment contracts without discretionary participating features are accounted for in accordance with IFRS 9. The Company has not classified any contracts as investment contracts with discretionary participating features.

Investment contracts may be reclassified as insurance contracts after inception if insurance risk becomes significant. A contract that is classified as an insurance contract at contract inception remains as such until all rights and obligations under the contract are extinguished or expire. Investment contracts are contracts that carry financial risk, which is the risk of a possible future change in one or more of the following: interest rate, commodity price, foreign exchange rate, or credit rating. Refer to note 7 for discussion of risk management.

Investment contracts are measured at FVTPL in order to eliminate or significantly reduce an accounting mismatch that would otherwise arise from measuring the assets that back the contract on different bases.

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, contracts that have no significant possibility of becoming onerous subsequently, and all other profitable 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. The Company has not identified any groups of insurance contracts that have no significant possibility of becoming onerous subsequently.

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; 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 allowance for credit risk in the discount rate varies depending on the credit rating, sector and term of the assets reflected in the discount rate. The allowance is estimated based on historic credit experience and prevailing market conditions. For example, if there is a significant widening of market credit spreads, an additional allowance for credit risk to reduce the discount rate may be required to reflect prevailing market conditions. 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. Non-financial risks are insurance risks such as life mortality, annuity mortality and morbidity, and other risks such as expense and lapse. The risk adjustment is calculated by applying a margin to non-financial assumptions and discounting the resulting margin cash flows at the same discount rates as the best estimate cash flows. The margins applied reflect diversification benefits across all non-financial risks. The Company's target range for the confidence level of the risk adjustment is between the

85th and 90th percentile, and the risk adjustment is currently within the target range. The confidence level is determined on a net-of-reinsurance basis.

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 and reinsurance contracts held. 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

<u>Contracts with Coverage Periods of One Year or Less</u>

The Company applies the PAA to measure the liability for remaining coverage of insurance contracts with coverage periods of one year or less.

<u>Contracts with Coverage Periods of More than One Year</u>

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.

Measurement of Reinsurance Contracts Held

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.

Measurement of Investment Contracts

Investment contracts are recognized when the Company becomes a party to the contractual provisions of the contract. At recognition, the Company measures an investment contract at its fair value. Transaction costs that are incremental and directly attributable to the acquisition or issue of the investment contract are expensed as incurred.

When the fair value of the investment contract differs from the transaction price on initial recognition, the Company recognizes the difference as follows:

- When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e., a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognized as a gain or loss.
- In all other cases, the difference is deferred, and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortized over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs or realized through settlement.

Investment contracts are subsequently measured at FVTPL where the fair value is set to the higher of the market value of the assets supporting the liability balance and the result of discounting risk-adjusted cash flows using rates derived from a reference portfolio or stochastic modeling. The Company's main valuation techniques incorporate all factors that market participants would consider and make maximum use of observable market data.

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).

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 Company has elected to recognize insurance finance income or expenses in the Consolidated Statements of Earnings.

Net Income or Expense from Reinsurance Contracts Held

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.

Contract Modifications and Derecognition

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.

(p) Deferred Income Reserves

Included in other liabilities are deferred income reserves relating to investment contracts. These are amortized on a straight-line basis to recognize the initial policy fees over the policy term, not to exceed 20 years.

(q) Income Taxes

The income tax expense for the period represents the sum of current income tax and deferred income tax. Income tax is recognized as an expense or income in profit or loss except to the extent that it relates to items that are recognized outside profit or loss (whether in other comprehensive income or directly in equity), in which case the income tax is also recognized outside profit or loss.

Current Income Tax

Current income tax is based on taxable income for the year. Current income tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the taxation authorities using the tax rates that have been enacted or substantively enacted at the balance sheet date in each respective jurisdiction. Current income tax assets and current income tax liabilities are offset if a legally enforceable right exists to offset the recognized amounts and the entity intends either to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

A provision for tax treatment uncertainties which meet the probable threshold for recognition is measured using either the most likely amount or the expected value, depending upon which method provides the better prediction of the resolution of the uncertainty. The provision for tax uncertainties will be classified as current or deferred based on how a disallowance of the underlying uncertain tax treatment would impact the tax provision accrual as of the balance sheet date.

Deferred Income Tax

Deferred income tax is the tax expected to be payable or recoverable on differences arising between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable income and is accounted for using the balance sheet liability method. Deferred income tax liabilities are generally recognized for all taxable temporary differences and deferred income tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses and carryforwards can be utilized.

Recognition is based on the fact that it is probable that the entity will have taxable profits and/or tax planning opportunities available to allow the deferred income tax asset to be utilized. Changes in circumstances in future periods may adversely impact the assessment of the recoverability. The uncertainty of the recoverability is taken into account in establishing the deferred income tax assets. The Company's annual financial planning process provides a significant basis for the measurement of deferred income tax assets.

Deferred income tax assets and liabilities are measured at the tax rates expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to net current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred income tax asset to be recovered.

Deferred income tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, except where the group controls the timing of the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future.

(r) Repurchase Agreements

The Company accounts for certain forward settling to be announced security transactions as derivatives as the Company does not regularly accept delivery of such securities when issued.

(s) Pension Plans and Other Post-Employment Benefits

The Company’s subsidiaries maintain contributory and non-contributory defined benefit pension plans for eligible employees and advisors. The Company’s subsidiaries also provide post-employment health, dental and life insurance benefits to eligible employees, advisors and their dependents.

The present value of the defined benefit obligations and the related current service cost is determined using the projected unit credit method (note 26). Pension plan assets are recorded at fair value.

For the defined benefit plans of the Company’s subsidiaries, service costs and net interest costs are recognized in the Consolidated Statements of Earnings. Service costs include current service cost, administration expenses, past service costs and the impact of curtailments and settlements. To determine the net interest costs (income) recognized in the Consolidated Statements of Earnings, the Company's subsidiaries apply a discount rate to the net benefit liability (asset), where the discount rate is determined by reference to market yields at the beginning of the year on high quality corporate bonds.

For the defined benefit plans of the Company’s subsidiaries, re-measurements of the net defined benefit liability (asset) due to asset returns less (greater) than interest income, actuarial losses (gains) and changes in the asset ceiling are recognized in the Consolidated Statements of Comprehensive Income.

The Company’s subsidiaries also maintain defined contribution pension plans for eligible employees and advisors. For the defined contribution plans of the Company’s subsidiaries, the current service costs are recognized in the Consolidated Statements of Earnings.

(t) Equity

Financial instruments issued by the Company are classified as share capital if they represent a residual interest in the assets of the Company. Preferred share capital is classified as equity if it is non-redeemable, or retractable only at the Company’s option and any dividends are discretionary.

Limited recourse capital notes are classified as share capital as the Company has the sole discretion to settle the obligation to noteholders through the issuance of a fixed number of the Company’s own equity instruments. Interest incurred on these instruments is expensed within financing costs in the Consolidated Statements of Earnings.

Incremental costs that are directly attributable to the issue of share capital are recognized as a deduction from equity, net of income tax.

Contributed surplus represents the vesting expense on unexercised equity instruments under share-based payment plans.

Accumulated other comprehensive income (loss) represents the total of the unrealized foreign exchange gains (losses) on translation of foreign operations, the unrealized gains (losses) on hedges of the net investment in foreign operations, the unrealized gains (losses) on FVOCI assets, the unrealized gains (losses) on cash flow hedges, the re-measurements on defined benefit pension and other post-employment benefit plans net of tax and the revaluation surplus on transfer to investment properties, where applicable.

Non-controlling interests in subsidiaries represents the proportion of equity that is attributable to minority shareholders.

Participating account surplus in subsidiaries represents the proportion of equity attributable to the participating account of the Company's subsidiaries.

(u) Share-Based Payments

The Company provides share-based compensation to certain employees and Directors of the Company and its subsidiaries.

The Company follows the fair value based method of accounting for the valuation of compensation expense for shares and share options granted to employees under its stock option plans (note 25). This share-based payment expense is recognized in operating and administrative expenses in the Consolidated Statements of Earnings and as an increase to contributed surplus over the vesting period of the granted options. When options are exercised, the proceeds received, along with the amount in contributed surplus, are transferred to share capital.

The Company and certain of its subsidiaries have Deferred Share Unit Plans (DSU Plans) in which the Directors and certain employees of the Company participate. Units issued to Directors under the DSU Plans vest when granted. Units issued to certain employees under the DSU Plans primarily vest over a three year period. The Company recognizes an increase in operating and administrative expenses for the units granted under the DSU Plans. The Company recognizes a liability for units granted under the DSU Plans which is remeasured at each reporting period based on the market value of the Company's common shares.

Certain employees of the Company are entitled to participate in the Performance Share Unit Plan (PSU Plan). Units issued under the PSU Plan vest over a three year period. The Company uses the fair value method to recognize compensation expense for the units granted under the plan over the vesting period, net of related hedges. The liability is remeasured at fair value at each reporting period.

The Company has an Employee Share Ownership Program (ESOP) where, subject to certain conditions being met, the Company will match contributions up to a maximum amount. The Company's contributions are expensed within operating and administrative expenses as incurred.

(v) Earnings Per Common Share

Earnings per common share is calculated using net earnings after preferred share dividends and the weighted average number of common shares outstanding. Diluted earnings per share is calculated by adjusting common shareholders' net earnings and the weighted average number of common shares outstanding for the effects of all potential dilutive common shares assuming that all convertible instruments are converted and outstanding options whose exercise price is less than the average market price of common shares during the period are exercised.

(w) Leases

Where the Company is the lessee, a right-of-use asset and a lease liability are recognized on the Consolidated Balance Sheets as at the lease commencement date.

Right-of-use assets are initially measured based on the initial amount of lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. Right-of-use assets are included within other assets with the exception of right-of-use assets which meet the definition of investment property which are presented within investment properties and subject to the Company's associated accounting policy. Right-of-use assets presented within other assets are depreciated to the earlier of the useful life of the right-of-use asset or the lease term using the straight-line method. Depreciation expense on right-of-use assets is included within operating and administrative expenses.

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company shall use the lessee's incremental borrowing rate. Generally, the Company uses the lessee's incremental borrowing rate as its discount rate. The lease liability is measured at amortized cost using the effective interest method and is included within other liabilities. Interest expense on lease liabilities is included within operating and administrative expenses.

The Company has elected to apply a practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets.

Where the Company is the lessor under an operating lease for its investment property, the assets subject to the lease arrangement are presented within the Consolidated Balance Sheets. Income from these leases is recognized in the Consolidated Statements of Earnings on a straight-line basis over the lease term.

Investments in a lease that transfers substantially all the risks and rewards of ownership to the lessee are classified as a finance lease. The Company is the lessor under a finance lease and the investment is recognized as a receivable at an amount equal to the net investment in the lease, which is represented as the present value of the minimum lease payments due from the lessee and is presented within the Consolidated Balance Sheets. Payments received from the lessee are apportioned between the recognition of finance lease income and the reduction of the finance lease receivable. Income from the finance leases is recognized in the Consolidated Statements of Earnings at a constant periodic rate of return on the Company's net investment in the finance lease.

(x) Operating Segments

Operating segments have been identified based on internal reports that are regularly reviewed by the Company's Chief Executive Officer to allocate resources and assess performance of segments and for which discrete financial information is available. The Company's operating segments include Canada, United States, Europe, Capital and Risk Solutions, and Lifeco Corporate. The Canada segment comprises the Individual Customer and Group Customer business units. Empower (financial services) and Putnam (asset management) are included in the United States segment. The Europe segment comprises United Kingdom, Ireland, and Germany. Reinsurance is reported in the Capital and Risk

Solutions segment. The Lifeco Corporate segment represents activities and transactions that are not directly attributable to the measurement of the operating segments of the Company.

(y) Future Accounting Policies

New Standard	Summary of Future Changes
IFRS 16 – *Leases*	In September 2022, the IASB published ***Lease Liability in a Sale and Leaseback***, amendments to IFRS 16, Leases. The amendments clarify that in a sale and leaseback transaction, the seller-lessee cannot recognize a gain or loss on the subsequent measurement of the lease liability related to the right of use it retains. These amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. The Company does not anticipate a significant impact on its consolidated financial statements as a result of these amendments.
IAS 7 – *Statement of Cash Flows* and IFRS 7 – *Financial Instruments: Disclosures*	In May 2023, the IASB published amendments to IAS 7, ***Statement of Cash Flows*** and IFRS 7, ***Financial Instruments: Disclosures***. The amendments require an entity to provide additional disclosures about its supplier finance arrangements. These amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. The Company does not anticipate a significant impact on its consolidated financial statements as a result of these amendments.

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.

The Company used an embedded value approach to determine the fair value within the fair value approach. Under the embedded value approach, the fair value is measured as the third party's present value of fulfillment cash flows, plus future costs of capital, less any future profits. The cost of capital was measured as the total required capital multiplied by a hurdle rate, and the future profits are driven by the release of risk adjustment and investment income on required capital. The development of the assumptions were based on a combination of publicly available industry data, historic economic data and the Company's own view of assumptions when the external data sources were not available.

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 (IFRS 9 overlay), 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 Reclassifications	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 IFRS 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 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 exchange rates	(52)
Total change	696
Net closing balance, as at December 31, 2022	$ 14,134

	For the year ended December 31, 2022
Insurance revenue	
Insurance revenue for contracts under fair value approach	$ 7,546
Insurance revenue for contracts under other approaches	12,086
Total insurance revenue	$ 19,632

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 (designated)	FVOCI
	FVTPL (classified)	FVTPL (mandatory)
	Available-for-Sale (AFS)	FVTPL (mandatory)
	AFS	FVOCI
	Loans & Receivables (L&R)	FVTPL (designated)
	L&R	FVOCI
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	$ (544)	$ —	$ 113,052
Reclassified from L&R	—	33,570	(3,480)	30,090
Total - designated	113,596	33,026	(3,480)	143,142
Mandatory	181	—	—	181
Reclassified from AFS	—	67	—	67
Total - mandatory	181	67	—	248
Mortgage loans				
Designated	3,125	(3,125)	—	—
Reclassified from L&R	—	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 AFS	—	240	—	240
Total - mandatory	—	3,365	6	3,371
Stocks				
Reclassified from designated FVTPL	13,305	—	16	13,321
Reclassified from AFS	—	325	17	342
Total - mandatory	13,305	325	33	13,663
Total FVTPL	$ 130,207	$ 64,968	$ (5,738)	$ 189,437
FVOCI				
Bonds				
Reclassified from AFS	$ —	$ 11,797	$ —	$ 11,797
Reclassified from designated FVTPL	—	544	—	544
Reclassified from L&R	—	376	(16)	360
	—	12,717	(16)	12,701
Mortgage loans				
Reclassified from L&R	—	662	(41)	621
Total FVOCI	$ —	$ 13,379	$ (57)	$ 13,322

	IAS 39 December 31, 2022	Reclassification	Remeasurement	IFRS 9 January 1, 2023
AFS				
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 AFS	$ 12,429	$ (12,429)	$ —	$ —
Amortized Cost				
Bonds				
Brought forward: L&R	$ 33,946	$ —	$ —	
Reclassified to FVTPL	—	(33,570)	—	
Reclassified to FVOCI	—	(376)	—	
	33,946	(33,946)	—	—
Mortgage Loans				
Brought forward: L&R	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 $37 at December 31, 2023, of which $4 was Stage 1, $29 was Stage 2 and $4 was Stage 3.

4. Business Acquisitions and Other Transactions

(a) Sale of Putnam US Holdings I, LLC (Putnam Investments)

On May 31, 2023, the Company announced that it had reached an agreement to sell Putnam Investments, excluding PanAgora Holdings Inc. and its subsidiary PanAgora Asset Management Inc. (collectively, PanAgora) to Franklin Resources, Inc., operating as Franklin Templeton, in exchange for Franklin Templeton common shares, cash, and contingent consideration. The Company will retain its controlling interest in PanAgora, a quantitative asset manager, and certain assets, including deferred tax assets, related to Putnam Investments.

Concurrently, the Company, Power Corporation and Franklin Templeton have entered into a strategic partnership to distribute Franklin Templeton products. The Company will also provide an initial long-term asset allocation amount of U.S. $25 billion assets under management to Franklin's specialist investment managers within 12 months of closing and will hold shares representing a 4.9% interest in Franklin Templeton stock for a minimum 5-year period.

The net earnings (loss) and cash flows of Putnam Investments have been classified as discontinued operations within the United States operating segment, and the related assets and liabilities have been classified as held for sale.

Net Earnings (Loss) From Discontinued Operations

	For the years ended December 31	
	2023	2022
Net investment result	$ 44	$ (27)
Other income and expenses		
Fee and other income	1,008	1,008
Operating and administrative expenses	(1,050)	(982)
Acquisition and divestiture costs	(130)	—
Amortization of finite life intangible assets	(26)	(24)
Earnings (loss) before income taxes	(154)	(25)
Income tax expense (benefit)	(30)	7
Net earnings (loss) from discontinued operations	$ (124)	$ (32)
Exchange differences on translation of discontinued operations	(42)	68
Other comprehensive income (loss) from discontinued operations	$ (42)	$ 68

Cash Flows From Discontinued Operations

	For the years ended December 31	
	2023	2022
Net cash provided by (used in) operating activities	$ 137	$ (44)
Net cash provided by (used in) financing activities	(6)	4
Effect of changes in exchange rates on cash and cash equivalents	(5)	23
Net increase (decrease) in cash and cash equivalents	$ 126	$ (17)

Assets and Liabilities Held for Sale

	December 31 2023
Assets	
Cash	$ 375
Stocks	46
Intangible assets	1,594
Fixed assets	56
Other assets	2,396
Total assets classified as held for sale	$ 4,467
Liabilities	
Other liabilities	$ 2,407
Total liabilities classified as held for sale	$ 2,407

Subsequent Event

On January 1, 2024, the Company completed the sale of Putnam Investments to Franklin Templeton in exchange for Franklin Templeton common shares, cash, and other deferred and contingent consideration with a total estimated fair value of $1,894 (U.S. $1,424) resulting in an estimated net gain of $61. The carrying amount of net assets sold at January 1, 2024, reflects final closing and other costs recognized at point of sale. The final net gain will be updated and reflected in the first quarter 2024 results.

Details of the Sale of the Discontinued Operations (Putnam Investments)

		2024
Consideration received or receivable		
Fair value of Franklin Templeton Common Shares (U.S. $29.79)	$ 1,321	
Net cash and other deferred and contingent consideration	573	
Non-controlling interest in sale of Putnam Investments	(123)	
Total estimated net proceeds on disposal of Putnam Investments		$ 1,771
Net carrying value of net assets sold		
Carrying value	$ 2,060	
Estimated final transaction closing costs	(109)	
Reclassification of translation on foreign operations	(211)	
Net carrying value of discontinued operations		$ 1,740
Net estimated gain on sale		$ 31
Income tax recovery		30
Estimated net gain on sale after income tax		**$ 61**

(b) Acquisition of Investment Planning Counsel

On November 30, 2023, Canada Life completed the acquisition of 100% of the equity of Investment Planning Counsel Inc. (IPC), an independent wealth management firm, from IGM Financial Inc. (IGM) for total purchase consideration of $585. 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 initial amounts assigned to the assets acquired, goodwill, and liabilities assumed on November 30, 2023, reported as at December 31, 2023 are as follows:

Assets acquired and goodwill	
Cash	$ 31
Fixed assets	6
Accounts receivable	33
Other assets	273
Current income taxes	1
Goodwill	583
Total assets acquired and goodwill	$ 927
Liabilities assumed	
Accounts payable	$ 55
Other liabilities	274
Current income taxes	1
Deferred tax liabilities	12
Total liabilities assumed	$ 342

Accounting for the acquisition is not finalized, pending the completion of a comprehensive valuation of the net assets acquired. The financial statements as at December 31, 2023 reflect management's current best estimate of the purchase price allocation. As at December 31, 2023, provisional amounts for intangible assets have not been separately identified and valued within the assets of the purchase price allocation, pending completion of the valuation exercise. Final valuation of the assets acquired and liabilities assumed and the completion of the purchase price allocation will occur by the fourth quarter of 2024.

As a result, the excess of the purchase price over the fair value of net assets acquired, representing goodwill of $583 as at December 31, 2023, will be adjusted in future periods.

The goodwill represents the excess of the purchase price over the fair value of the net assets, representing the synergies or future economic benefits arising from other assets acquired that are not individually identified and separately recognized in the acquisition. These synergies represent meaningful expense and revenue opportunities which are expected to be accretive to earnings. The goodwill is not deductible for tax purposes.

During the year ended December 31, 2023, the Company incurred acquisition expenses of $4, which are recorded in the Consolidated Statements of Earnings.

Revenue and net earnings of IPC were not significant to the 2023 results of the Company.

(c) Acquisition of Value Partners

On September 8, 2023, Canada Life completed the acquisition of 100% of the equity of Value Partners Group Inc., a Winnipeg based investment firm that serves clients with complex and sophisticated wealth needs. As at December 31, 2023, the accounting for the acquisition is not finalized, with the initial amount of $119 assigned to goodwill on the date of the acquisition to be adjusted, pending the completion of a comprehensive valuation of the net assets acquired.

(d) U.S. Individual Life and Annuity Business Reinsurance Agreement

On June 1, 2019, Empower sold, via indemnity reinsurance, substantially all of its individual life insurance and annuity business to Protective Life Insurance Company (Protective Life). In connection with that transaction, Empower provided standard indemnities to the buyer. In 2022, Protective Life made claims under those indemnities. Although it is continuing to review the claims, the Company has established a provision in other liabilities for the aggregate potential liability for the claims using available information.

(e) Strategic Relationship with Sagard Holdings

On July 6, 2023, Sagard Holdings Inc. (Sagard), a related party, announced that the relationship between the Company and Sagard had expanded, both in terms of the Company's minority interest in Sagard and commitments into certain Sagard strategies. The increase in the minority interest in Sagard is immaterial to the Company and the commitment to certain Sagard strategies has increased to approximately U.S. $700.

(f) Europe Business Initiatives

In 2023, the European segment of the Company undertook a number of initiatives to position itself for the future which included restructuring activities, the launch of a joint venture, and a reinsurance recapture. The net impact of these activities was a post-tax net gain of $31 recognized in net earnings.

Europe Restructuring

In 2023, the Company recorded a restructuring provision of $126 within restructuring and integration expenses in the Consolidated Statements of Earnings related to provisions for staff reductions as well as other business transformation initiatives.

The provision for staff reductions and other business transformation initiatives arose from the following business decisions and activities:

- The Company announced its decision to close the Company's U.K. on-shore wealth business to new customers,
- The implementation of the new strategy in Germany to create growth through product diversification and an efficiency program leveraging its new policy administration platform, increased automation and AI technologies, and
- The continued implementation of Irish Life's strategy, including the build out of digital customer technologies and automation.

At December 31, 2023, the Company has a restructuring provision of $106 remaining in other liabilities.

Transfer of Segregated Funds to Joint Venture

On November 1, 2023, Irish Life Assurance plc, an indirect subsidiary of the Company, completed the portfolio transfer of segregated funds with a carrying value of approximately €1.8 billion ($2.7 billion) to Saol Assurance dac (AIB Life), a related party to the Company through a 50/50 joint venture between Canada Life Irish Holding Company Limited and Allied Irish Banks, p.l.c. The Company recognized a gain related to this transaction in the fourth quarter of 2023.

5. Cash and Cash Equivalents

Cash and cash equivalents include amounts held at the Lifeco holding company level and amounts held in Lifeco's consolidated subsidiary companies.

	2023	2022
Cash	$ 3,029	$ 4,013
Short-term deposits	4,713	3,277
Total	$ 7,742	$ 7,290

At December 31, 2023 cash and short-term deposits of $689 were restricted for use by the Company ($879 at December 31, 2022) in respect of cash held in trust for reinsurance agreements or with regulatory authorities, cash held under certain indemnity arrangements, client monies held by brokers and cash held in escrow.

6. Portfolio Investments

(a) Carrying Values and Estimated Fair Values of Portfolio Investments are as Follows:

	2023		2022 [1]	
	Carrying value	**Fair value**	Carrying value	Fair value
Bonds				
FVTPL - designated	$ 143,506	$ 143,506	$ 143,142	$ 143,142
FVTPL - mandatory	1,795	1,795	248	248
FVOCI	11,750	11,750	12,701	12,701
	157,051	157,051	156,091	156,091
Mortgage loans				
FVTPL - designated	29,211	29,211	29,013	29,013
FVTPL - mandatory	4,203	4,203	3,371	3,371
FVOCI	578	578	621	621
Amortized cost	4,422	3,923	4,192	3,577
	38,414	37,915	37,197	36,582
Stocks				
FVTPL - mandatory	14,890	14,890	13,663	13,663
Equity method	843	777	638	610
	15,733	15,667	14,301	14,273
Investment properties	7,870	7,870	8,344	8,344
Total	$ 219,068	$ 218,503	$ 215,933	$ 215,290

[1] Represents application of IFRS 9 overlay.

(b) Carrying Value of Bonds and Mortgages by Term to Maturity are as Follows:

	2023				2022 [1]			
	Term to maturity				Term to maturity			
	1 year or less	**Over 1 year to 5 years**	**Over 5 years**	**Total**	1 year or less	Over 1 year to 5 years	Over 5 years	Total
Bonds	$ 14,282	$ 47,685	$ 95,084	$ 157,051	$ 13,556	$ 42,336	$ 100,199	$ 156,091
Mortgage loans [2]	3,753	19,554	15,107	38,414	2,672	18,069	16,456	37,197
Total	$ 18,035	$ 67,239	$ 110,191	$ 195,465	$ 16,228	$ 60,405	$ 116,655	$ 193,288

[1] Represents application of IFRS 9 overlay.

[2] Mortgage loans include equity release mortgages which do not have a fixed redemption date. The maturity profile of the portfolio has been estimated based on previous redemption experience.

(c) Certain Stocks Where Equity Method Earnings are Computed are Discussed Below:

A significant amount of the Company's equity method investments relate to the Company's investment, held through Canada Life, in an affiliated company, IGM, a member of the Power Corporation group of companies, over which it exerts significant influence but does not control. The Company's proportionate share of IGM's earnings is recorded in net investment income in the Consolidated Statements of Earnings. The Company owns 9,200,448 shares of IGM at December 31, 2023 (9,200,448 at December 31, 2022) representing a 3.86% ownership interest (3.87% at December 31, 2022). The Company uses the equity method to account for its investment in IGM as it exercises significant influence. Significant influence arises from several factors, including, but not limited to the following: common control of the Company and IGM by Power Corporation, shared representation on the Boards of Directors of the Company and IGM, interchange of managerial personnel, certain shared strategic alliances, significant intercompany transactions and service agreements that influence the financial and operating policies of both companies.

	2023	2022
Carrying value, beginning of year	$ 375	$ 366
Equity method share of IGM net earnings	33	30
Dividends received	(21)	(21)
Carrying value, end of year	$ 387	$ 375
Share of equity, end of year	$ 247	$ 237
Fair value, end of year	$ 321	$ 347

The Company and IGM both have a year-end date of December 31. The Company's year-end results are approved and reported before IGM publicly reports its financial result; therefore, the Company reports IGM's financial information by estimating the amount of earnings attributable to the Company, based on prior quarter information as well as other market expectations, to complete equity method accounting. The difference between actual and estimated results is reflected in the subsequent quarter and is not material to the Company's consolidated financial statements.

IGM's financial information as at December 31, 2023 can be obtained in its publicly available information.

At December 31, 2023, IGM owned 22,136,471 (37,337,133 at December 31, 2022) common shares of the Company.

(d) Net Investment Income Comprises the Following:

	2023					
	Bonds	**Mortgage loans**	**Stocks**	**Investment properties**	**Other**	**Total**
Net investment income:						
Investment income earned	$ 6,626	$ 1,434	$ 499	$ 506	$ 404	$ 9,469
Net realized losses on derecognition of FVOCI assets	(248)	—	—	—	—	(248)
Gains on derecognition of amortized cost assets	—	9	—	—	—	9
Net ECL recovery (charge)	(1)	—	—	—	—	(1)
Other income and expenses	—	—	—	(196)	(169)	(365)
	6,377	1,443	499	310	235	8,864
Changes in fair value on FVTPL assets:						
FVTPL (designated)	5,050	478	—	—	347	5,875
FVTPL (mandatory)	53	272	796	—	—	1,121
Recorded at FVTPL	—	—	—	(507)	—	(507)
	5,103	750	796	(507)	347	6,489
Total	$ 11,480	$ 2,193	$ 1,295	$ (197)	$ 582	$ 15,353

	2022 [1]					
	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Net investment income:						
Investment income earned	$ 5,617	$ 1,217	$ 404	$ 459	$ 399	$ 8,096
Net realized losses on derecognition of FVOCI assets	(71)	—	—	—	—	(71)
Gains on derecognition of amortized cost assets	—	8	—	—	—	8
Net allowances for credit losses	—	(42)	—	—	—	(42)
Other income and expenses	—	—	—	(154)	(243)	(397)
	5,546	1,183	404	305	156	7,594
Changes in fair value on FVTPL assets:						
FVTPL (designated)	(26,925)	(2,729)	—	—	(33)	(29,687)
FVTPL (mandatory)	(8)	(621)	(643)	—	—	(1,272)
Recorded at FVTPL	—	—	—	(41)	—	(41)
	(26,933)	(3,350)	(643)	(41)	(33)	(31,000)
Total	$ (21,387)	$ (2,167)	$ (239)	$ 264	$ 123	$ (23,406)

[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.

(e) Net Investment Result

	2023	2022
Investment return		
Net investment income	$ 8,864	$ 7,594
Changes in fair value on FVTPL assets	6,489	(31,000)
Total investment return	15,353	(23,406)
Net finance income (expenses) from insurance contracts		
Changes in fair value of underlying items of direct participating contracts	(3,941)	3,463
Effects of risk mitigation option	68	293
Interest accreted	(3,433)	(2,955)
Effect of changes in discount rate and other financial assumptions	(1,919)	17,851
Effect of measuring changes in estimates at current rates and adjusting the CSM at rates on initial recognition	(13)	157
Total net finance income (expenses) from insurance contracts	(9,238)	18,809
Net finance income (expenses) from reinsurance contracts		
Interest accreted	78	367
Other	146	(1,618)
Total net finance income (expenses) from reinsurance contracts	224	(1,251)
Changes in investment contract liabilities	(4,806)	8,454
	$ 1,533	$ 2,606

(f) Securities Lending

The Company engages in securities lending to generate additional income. The Company's securities custodians are used as lending agents. Collateral, which exceeds the fair value of the loaned securities, is deposited by the borrower with the Company's lending agent and maintained by the lending agent until the underlying security has been returned. The fair value of the loaned securities is monitored on a daily basis by the lending agent who obtains or refunds additional collateral as the fair value of the loaned securities fluctuates. Collateral primarily consists of government bonds, investment grade corporate bonds and cash. Included in the collateral deposited with the Company's lending agent is cash collateral of $443 at December 31, 2023 ($191 at December 31, 2022). In addition, the securities lending agent indemnifies the Company against borrower risk, meaning that the lending agent agrees contractually to replace securities not returned due to a borrower default. As at December 31, 2023, the Company had loaned securities (which are included in invested assets) with a fair value of $8,154 ($9,550 at December 31, 2022).

7. Risk Management

The Company has policies relating to the identification, measurement, management, monitoring and reporting of risks associated with financial instruments and insurance contracts. 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 following sections describe how the Company manages each of these risks.

(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.

The following policies and procedures are in place to manage this risk:

- Investment and risk policies aim to minimize undue concentration within issuers, connected companies, industries or individual geographies.
- Investment and risk limits specify minimum and maximum limits for each asset class.
- Identification of credit risk through an internal credit risk rating system which includes a detailed assessment of an obligor's creditworthiness. Internal credit risk ratings cannot be higher than the highest rating provided by certain independent ratings companies.
- Portfolios are monitored continuously, and reviewed regularly with the Risk Committee and the Investment Committee of the Board of Directors.
- Credit risk associated with derivative instruments is evaluated quarterly based on conditions that existed at the balance sheet date, using practices that are at least as conservative as those recommended by regulators. The Company manages derivative credit risk by including derivative exposure to aggregate credit exposures measured against rating based obligor limits and through collateral arrangements where possible.
- Counterparties providing reinsurance to the Company are reviewed for financial soundness as part of an ongoing monitoring process. The minimum financial strength of reinsurers is outlined in the Reinsurance Risk Management Policy. The Company seeks to minimize

reinsurance credit risk by setting rating based limits on net ceded exposure by counterparty as well as seeking protection in the form of collateral or funds withheld arrangements where possible.

- Investment guidelines also specify collateral requirements.

(i) Maximum Exposure to Credit Risk

The following summarizes the Company's maximum exposure to credit risk related to financial instruments as well as insurance and reinsurance contracts. The maximum credit exposure is the carrying value of the asset net of any allowances for losses.

	2023	2022
Financial instruments		
Cash and cash equivalents	$ 7,742	$ 7,290
Bonds	157,051	156,091
Mortgage loans	38,414	37,197
Interest due and accrued	1,645	1,527
Accounts receivable	3,218	2,828
Funds held under investment contracts	7,268	8,130
Trading account assets	3,038	2,972
Finance leases receivable	668	536
Other assets [1]	2,055	2,760
Derivative assets	2,219	2,314
	223,318	221,645
Insurance and reinsurance contracts		
Reinsurance contract held assets [2]	17,332	17,571
Insurance contract assets	1,193	1,140
Funds held by ceding insurers [3]	3,926	4,105
Loans to policyholders [3]	8,945	8,999
	31,396	31,815
Total	$ 254,714	$ 253,460

[1] Includes items such as current income taxes receivable and miscellaneous other assets of the Company (note 11).

[2] Includes funds withheld on reinsurance contracts issued.

[3] Included in insurance contract liabilities (note 14).

Credit risk is also mitigated by entering into collateral agreements. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and the valuation parameters. Collateral primarily consists of government bonds, investment grade corporate bonds and cash. Management monitors the value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable. The Company has $1,715 of collateral received from counterparties as at December 31, 2023 ($1,348 at December 31, 2022) relating to derivative assets.

(ii) 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.

The following provides details of the carrying value of bonds by issuer, industry sector and operating segment:

	2023				
	Canada	**United States**	**Europe**	**Capital and Risk Solutions**	**Total**
Bonds issued or guaranteed by:					
Treasuries	$ 1,155	$ 2,289	$ 8,522	$ 2,887	$ 14,853
Government related	16,618	2,842	6,760	406	26,626
Agency securitized	178	1,057	—	14	1,249
Non-agency securitized	2,924	13,314	803	137	17,178
Financials	5,225	12,095	4,861	997	23,178
Communications	1,089	1,680	748	152	3,669
Consumer products	4,704	9,795	1,774	1,023	17,296
Energy	2,619	3,118	447	336	6,520
Industrials	2,560	7,623	1,156	442	11,781
Technology	1,044	3,307	479	297	5,127
Transportation	3,996	1,899	755	156	6,806
Utilities	10,632	7,599	3,786	751	22,768
Total	$ 52,744	$ 66,618	$ 30,091	$ 7,598	$ 157,051

	2022 [1]				
	Canada	United States	Europe	Capital and Risk Solutions	Total
Bonds issued or guaranteed by:					
Treasuries	$ 2,699	$ 347	$ 7,905	$ 3,619	$ 14,570
Government related	16,948	3,178	6,301	376	26,803
Agency securitized	179	1,270	—	15	1,464
Non-agency securitized	2,341	15,020	734	123	18,218
Financials	4,703	13,123	4,709	914	23,449
Communications	997	1,839	667	137	3,640
Consumer products	4,231	10,727	1,733	966	17,657
Energy	2,236	3,600	405	285	6,526
Industrials	2,084	8,464	1,105	398	12,051
Technology	831	3,359	393	298	4,881
Transportation	3,364	1,941	637	121	6,063
Utilities	9,129	8,038	3,125	477	20,769
Total	$ 49,742	$ 70,906	$ 27,714	$ 7,729	$ 156,091

[1] Represents application of IFRS 9 overlay.

The following provides details of the carrying value of mortgage loans by operating segment:

	2023				
	Canada	**United States**	**Europe**	**Capital and Risk Solutions**	**Total**
Single family residential	$ 1,511	$ —	$ —	$ —	$ 1,511
Multi-family residential	4,581	3,945	814	32	9,372
Equity release	1,697	—	2,043	463	4,203
Commercial	8,955	10,376	3,850	147	23,328
Total	$ 16,744	$ 14,321	$ 6,707	$ 642	$ 38,414

	2022 [1]				
	Canada	United States	Europe	Capital and Risk Solutions	Total
Single family residential	$ 1,738	$ —	$ —	$ —	$ 1,738
Multi-family residential	4,422	4,276	891	39	9,628
Equity release	1,392	—	1,711	268	3,371
Commercial	8,446	10,484	3,480	50	22,460
Total	$ 15,998	$ 14,760	$ 6,082	$ 357	$ 37,197

[1] Represents application of IFRS 9 overlay.

(iii) Expected Credit Losses

The following table reconciles the allowance for credit losses under the ECL model in IFRS 9 by asset classification and stage:

	2023			
	Performing		Impaired	
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Bonds at FVOCI				
Balance, beginning of year	$ 3	$ —	$ —	$ 3
Provision for credit losses				
Transfers to stage 1	—	—	—	—
Transfers to stage 2	—	—	—	—
Transfers to stage 3	—	—	—	—
Originations	1	—	—	1
Maturities	(1)	—	—	(1)
Net re-measurement of loss allowance	1	—	—	1
Write-offs	—	—	—	—
Exchange rate and other	(1)	—	—	(1)
Balance, end of year	$ 3	$ —	$ —	$ 3
Mortgages at amortized cost				
Balance, beginning of year	$ 1	$ 32	$ —	$ 33
Provision for credit losses				
Transfers to stage 1	1	(1)	—	—
Transfers to stage 2	—	—	—	—
Transfers to stage 3	—	—	—	—
Originations	1	—	—	1
Maturities	—	—	—	—
Net re-measurement of loss allowance	(2)	(3)	4	(1)
Write-offs	—	—	—	—
Exchange rate and other	—	1	—	1
Balance, end of year	$ 1	$ 29	$ 4	$ 34
Total allowance for credit losses, end of year	$ 4	$ 29	$ 4	$ 37

(iv) Credit Risk Exposure by Internal Risk Rating

The following table presents the fair value of bonds and mortgages at FVOCI and carrying amounts of mortgages at amortized cost. Risk ratings are based on internal ratings used in the measurement of ECLs as at the reporting date.

	December 31, 2023			
	Performing		Impaired	
	Stage 1	Stage 2	Stage 3	Total
Bonds at FVOCI				
Investment grade	$ 11,668	$ —	$ —	$ 11,668
Non-investment grade	77	5	—	82
Impaired	—	—	—	—
Total	$ 11,745	$ 5	$ —	$ 11,750
Mortgage loans at FVOCI				
Investment grade	$ 560	$ —	$ —	$ 560
Non-investment grade	—	18	—	18
Impaired	—	—	—	—
Total	$ 560	$ 18	$ —	$ 578
Mortgages at amortized cost				
Investment grade	$ 4,088	$ —	$ —	$ 4,088
Non-investment grade	—	357	—	357
Impaired	—	—	11	11
	4,088	357	11	4,456
Allowance for credit losses	(1)	(29)	(4)	(34)
Total	$ 4,087	$ 328	$ 7	$ 4,422

	January 1, 2023			
	Performing		Impaired	
	Stage 1	Stage 2	Stage 3	Total
Bonds at FVOCI				
Investment grade	$ 12,610	$ —	$ —	$ 12,610
Non-investment grade	88	3	—	91
Impaired	—	—	—	—
Total	$ 12,698	$ 3	$ —	$ 12,701
Mortgage loans at FVOCI				
Investment grade	$ 621	$ —	$ —	$ 621
Non-investment grade	—	—	—	—
Impaired	—	—	—	—
Total	$ 621	$ —	$ —	$ 621
Mortgages at amortized cost				
Investment grade	$ 3,819	$ —	$ —	$ 3,819
Non-investment grade	—	373	—	373
Impaired	—	—	—	—
	3,819	373	—	4,192
Allowance for credit losses	(1)	(32)	—	(33)
Total	$ 3,818	$ 341	$ —	$ 4,159

(v) Credit Impact on Financial Assets Designated as FVTPL

The carrying value of the Company's portfolio investments designated as FVTPL represents the maximum exposure to credit risk for those assets. The change in fair value attributable to the change in credit risk of these assets is generally insignificant in the absence of significant credit events occurring on specific assets. In 2023, a fair value loss of $80 ($8 in 2022) is reflected in changes in fair value on fair value through profit or loss assets in the Consolidated Statements of Earnings related to significant credit events occurring on assets designated as FVTPL.

(vi) Asset Quality

Bond Portfolio by Credit Rating

	2023	2022 [1]
Based on internal ratings:		
AAA	$ 24,298	$ 25,397
AA	31,435	31,614
A	54,807	53,864
BBB	44,811	43,482
BB and lower	1,700	1,734
Total	$ 157,051	$ 156,091

[1] Represents application of IFRS 9 overlay.

Derivative Portfolio by Credit Rating

	2023	2022
Over-the-counter contracts (counterparty ratings):		
AA	$ 1,448	$ 1,604
A	770	697
BBB	—	—
Exchange-traded	1	13
Total	$ 2,219	$ 2,314

Reinsurance Contract Held Assets by Credit Rating

	2023	2022
Based on Rating Agency ratings:		
AA- to AA+	$ 15,955	$ 16,162
A- to A+	1,365	1,386
BBB+ and lower	9	10
Not rated	3	13
Total reinsurance contract held assets	$ 17,332	$ 17,571
Total reinsurance contract held assets less collateral	$ 4,296	$ 4,261

Total reinsurance contract held assets are net of funds held under reinsurance contracts.

As at December 31, 2023, $12,122 of the $17,332 of reinsurance contract held assets are ceded to Protective Life Insurance Company ($12,493 of $17,571 at December 31, 2022). This concentration risk is mitigated by funds held in trust and other arrangements of $13,710 as at December 31, 2023 ($13,685 at December 31, 2022).

(vii) Funds Held Under Investment Contracts and Funds Held by Ceding Insurers

At December 31, 2023, the Company had amounts on deposit of $7,268 ($8,130 at December 31, 2022) for funds held under investment contracts. This amount has been included in other assets on the Consolidated Balance Sheets. At December 31, 2023 the Company had amounts on deposit of $3,926 ($4,105 at December 31, 2022) for funds held by ceding insurers. This amount has been included in the measurement of insurance contract liabilities. Included in these amounts are assets of $37 at December 31, 2023 ($45 at December 31, 2022) where the Company does not retain the credit risk. Income and expenses arising from the agreements are included in net investment result in the Consolidated Statements of Earnings.

The details of the funds on deposit for certain agreements where the Company has credit risk are as follows:

(i) Carrying Values and Estimated Fair Values:

	2023		2022	
	Carrying value	**Fair value**	Carrying value	Fair value
Cash and cash equivalents	$ 189	$ 189	$ 222	$ 222
Bonds	10,415	10,415	11,172	11,172
Mortgages	418	418	457	457
Other assets	135	135	339	339
Total	$ 11,157	$ 11,157	$ 12,190	$ 12,190
Supporting:				
Insurance contract liabilities	$ 3,834	$ 3,834	$ 4,004	$ 4,004
Investment contract liabilities	7,268	7,268	8,130	8,130
Surplus	55	55	56	56
Total	$ 11,157	$ 11,157	$ 12,190	$ 12,190

(ii) The Following Provides Details of the Carrying Value of Bonds Included in the Funds on Deposit by Issuer and Industry Sector:

	2023	2022
Bonds issued or guaranteed by:		
Treasuries	$ 487	$ 464
Government related	1,139	1,241
Agency securitized	103	139
Non-agency securitized	1,135	1,350
Financials	1,731	2,020
Communications	332	327
Consumer products	1,609	1,728
Energy	534	517
Industrials	1,011	1,029
Technology	385	386
Transportation	301	319
Utilities	1,648	1,652
Total	$ 10,415	$ 11,172

(iii) The Following Provides Details of the Carrying Value of Mortgages Included in the Funds on Deposit by Property Type:

	2023	2022
Multi-family residential	$ 107	$ 110
Commercial	311	347
Total	$ 418	$ 457

(iv) Asset Quality:

Bond Portfolio by Credit Rating

	2023	2022
AAA	$ 951	$ 1,037
AA	2,536	2,607
A	3,973	4,289
BBB	2,856	3,124
BB and lower	99	115
Total	$ 10,415	$ 11,172

(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 Company's liquidity risk management framework and associated limits are designed to allow the Company to meet cash and collateral commitments as they fall due, both on an expected basis and under a severe liquidity stress.

- The Company attempts to mitigate liquidity risk through product design; and maintaining a high quality, diversified investment portfolio with a spread of asset maturities by year. Approximately 68% of our insurance and investment contract liabilities (measured based on carrying value and excluding liabilities held on account of segregated fund holders) are subject to discretionary withdrawal.
- 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. At December 31, 2023, the Company maintains $950 of liquidity at the Lifeco level through committed lines of credit with Canadian chartered banks. As well, the Company maintains a U.S. $500 revolving credit agreement, a U.S. $300 revolving credit agreement with a syndicate of banks for use by Empower, and a U.S. $50 line of credit at Empower. Empower also has borrowing capacity of approximately U.S. $440 under the Federal Home Loan Bank program.

(i) Payments Due by Period

In the normal course of business the Company enters into contracts that give rise to commitments of future minimum payments that impact short-term and long-term liquidity. The following summarizes the principal repayment schedule for certain of the Company's financial liabilities.

	2023						
	1 year or less	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
Debentures and other debt instruments	$ —	$ 665	$ 730	$ 532	$ 999	$ 5,833	$ 8,759
Capital trust securities [1]	—	—	—	—	—	150	150
Purchase obligations	305	227	176	121	54	251	1,134
Pension contributions	225	—	—	—	—	—	225
Total	$ 530	$ 892	$ 906	$ 653	$ 1,053	$ 6,234	$ 10,268

[1] Payments due have not been reduced to reflect that the Company held capital trust securities of $37 principal amount ($44 carrying value).

(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 consolidated 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 shareholders' 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 shareholders' 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 these 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 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 shareholders' 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 shareholders' 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 carried at amortized cost and held in the general fund assets supporting liabilities, also contributes to interest rate exposure in shareholders' net earnings.

The impact to shareholders' net earnings and equity from an immediate parallel 50 basis point increase or decrease in interest rates is illustrated in the table below, rounded to the nearest $25:

Change in Market Yield Curves

	2023		2022	
	Increase 50 basis points interest rates	**Decrease 50 basis points interest rates**	Increase 50 basis points interest rates	Decrease 50 basis points interest rates
Shareholders' net earnings	$ 175	$ (225)	$ 75	$ (125)
Shareholders' equity	150	(225)	50	(100)

Actual impacts of interest rate changes will vary depending upon the geography where the changes occur. Net earnings are positively impacted by a parallel increase in interest rates in Canada, U.S. and the U.K., and are positively impacted by a parallel decrease in interest rates in the eurozone. Actual impacts of interest rate changes also vary by the level of change in interest rates by term. Therefore, actual impacts from interest rate changes may differ from the estimated impact of parallel movements in all geographies, which is presented above.

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 both December 31, 2023 and 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.

The impact to shareholders' net earnings and equity from an immediate 50 basis point increase or decrease in credit spreads is illustrated in the table below, with no change to the ultimate illiquidity premium. Actual impacts of credit spread changes will vary depending on the geographies where the changes occur, and the changes in credit spreads by term. A change in credit spreads may also lead to a change in the allowance for credit risk within the IFRS 17 discount rate, depending on prevailing market and credit conditions at the time; any potential earnings impacts that may arise from such a change are not reflected in the sensitivities below.

Change in Credit Spreads

	2023 [1]	
	Increase 50 basis points credit spreads	**Decrease 50 basis points credit spreads**
Shareholders' net earnings	$ 300	$ (375)
Shareholders' equity	350	(450)

[1] Exposures to credit spread sensitivities as at December 31, 2022 are expected to be substantially similar to the levels as shown for December 31, 2023.

(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. Shareholders' 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 impacts of an immediate 10% or 20% increase or decrease in the value of publicly traded common stocks on the shareholders' net earnings and equity, rounded to the nearest $25:

Change in Publicly Traded Common Stock Values

	2023 [1]				2022			
	20% increase	**10% increase**	**10% decrease**	**20% decrease**	20% increase	10% increase	10% decrease	20% decrease
Shareholders' net earnings	$ 225	$ 100	$ (100)	$ (225)	$ 200	$ 100	$ (125)	$ (225)
Shareholders' equity	525	250	(250)	(525)	475	225	(250)	(500)

[1] Subsequent to year end, on January 1, 2024, the Company completed the sale of Putnam Investments and received shares in Franklin Templeton as part of the consideration (note 4). The net impact to shareholders' net earnings and equity of this transaction to the values in the table above would be to increase sensitivities by $75 for a 10% increase or decrease in the value of publicly traded stocks and increase sensitivities by $150 for a 20% increase or decrease in the value of publicly traded stocks.

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 and equity, rounded to the nearest $25:

Change in Other Non-Fixed Income Asset Values

	2023				2022			
	10% increase	**5% increase**	**5% decrease**	**10% decrease**	10% increase	5% increase	5% decrease	10% decrease
Shareholders' net earnings	$ 400	$ 200	$ (200)	$ (425)	$ 400	$ 200	$ (200)	$ (425)
Shareholders' equity	450	225	(225)	(450)	425	225	(225)	(450)

(d) Enforceable Master Netting Arrangements or Similar Agreements

The Company enters into International Swaps and Derivative Association's (ISDA's) master agreements for transacting over-the-counter derivatives. The Company receives and pledges collateral according to the related ISDA's Credit Support Annexes. The ISDA's master agreements do not meet the criteria for offsetting on the Consolidated Balance Sheets because they create a right of set-off that is enforceable only in the event of default, insolvency, or bankruptcy.

For exchange-traded derivatives subject to derivative clearing agreements with the exchanges and clearinghouses, there is no provision for set-off at default. Initial margin is excluded from the table within this disclosure as it would become part of a pooled settlement process.

The table sets out the potential effect on the Company's Consolidated Balance Sheets on financial instruments that have been shown in a gross position where right of set-off exists under certain circumstances that do not qualify for netting on the Consolidated Balance Sheets.

	2023			
		Related amounts not set-off in the Consolidated Balance Sheets		
	Gross amount of financial instruments presented in the Consolidated Balance Sheets	**Offsetting counterparty position [1]**	**Financial collateral received / pledged [2]**	**Net exposure**
Financial instruments - assets				
Derivative financial instruments	$ 2,219	$ (925)	$ (1,097)	$ 197
Total financial instruments - assets	$ 2,219	$ (925)	$ (1,097)	$ 197
Financial instruments - liabilities				
Derivative financial instruments	$ 1,288	$ (925)	$ (194)	$ 169
Total financial instruments - liabilities	$ 1,288	$ (925)	$ (194)	$ 169

	2022			
		Related amounts not set-off in the Consolidated Balance Sheets		
	Gross amount of financial instruments presented in the Consolidated Balance Sheets	Offsetting counterparty position [1]	Financial collateral received / pledged [2]	Net exposure
Financial instruments - assets				
Derivative financial instruments	$ 2,314	$ (856)	$ (1,274)	$ 184
Total financial instruments - assets	$ 2,314	$ (856)	$ (1,274)	$ 184
Financial instruments - liabilities				
Derivative financial instruments	$ 1,639	$ (856)	$ (513)	$ 270
Total financial instruments - liabilities	$ 1,639	$ (856)	$ (513)	$ 270

1 Includes counterparty amounts recognized on the Consolidated Balance Sheets where the Company has a potential offsetting position (as described above) but does not meet the criteria for offsetting on the balance sheet, excluding collateral.

2 Financial collateral presented above excludes overcollateralization and, for exchange-traded derivatives, initial margin. At December 31, 2023, total financial collateral, including initial margin and overcollateralization, received on derivative assets was $1,715 ($1,348 at December 31, 2022), and pledged on derivative liabilities was $773 ($754 at December 31, 2022).

8. 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 FVTPL 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:

	2023			
Assets measured at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 7,742	$ —	$ —	$ 7,742
Financial assets at FVTPL				
Bonds	—	145,049	252	145,301
Mortgage loans	—	29,211	4,203	33,414
Stocks	10,863	218	3,809	14,890
Total financial assets at FVTPL	10,863	174,478	8,264	193,605
Financial assets at FVOCI				
Bonds	—	11,750	—	11,750
Mortgage loans	—	578	—	578
Total financial assets at FVOCI	—	12,328	—	12,328
Investment properties	—	—	7,870	7,870
Derivatives [1]	1	2,218	—	2,219
Assets held for sale [2]	614	1,006	907	2,527
Other assets:				
Trading account assets	242	2,796	—	3,038
Other [3]	—	443	—	443
Total assets measured at fair value	$ 19,462	$ 193,269	$ 17,041	$ 229,772
Liabilities measured at fair value				
Derivatives [4]	$ 5	$ 1,283	$ —	$ 1,288
Investment contract liabilities	—	88,919	—	88,919
Other liabilities	—	443	—	443
Total liabilities measured at fair value	$ 5	$ 90,645	$ —	$ 90,650

[1] Excludes collateral received from counterparties of $1,346.

[2] Assets held for sale measured at fair value includes cash of $375, stocks of $46 and trading account assets of $2,106.

[3] Includes collateral received under securities lending arrangements.

[4] Excludes collateral pledged to counterparties of $247.

There were no transfers of the Company's assets and liabilities between Level 1 and Level 2 in the year.

Assets measured at fair value	2022 [1] Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 7,290	$ —	$ —	$ 7,290
Financial assets at FVTPL				
Bonds	—	143,195	195	143,390
Mortgage loans	—	29,013	3,371	32,384
Stocks	10,548	86	3,029	13,663
Total financial assets at FVTPL	10,548	172,294	6,595	189,437
Financial assets at FVOCI				
Bonds	—	12,701	—	12,701
Mortgage loans	—	621	—	621
Total financial assets at FVOCI	—	13,322	—	13,322
Investment properties	—	—	8,344	8,344
Derivatives [2]	13	2,301	—	2,314
Assets held for sale	—	—	—	—
Other assets:				
Trading account assets	309	1,723	940	2,972
Other [3]	11	180	—	191
Total assets measured at fair value	$ 18,171	$ 189,820	$ 15,879	$ 223,870
Liabilities measured at fair value				
Derivatives [4]	$ —	$ 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] Represents application of IFRS 9 overlay.
[2] Excludes collateral received from counterparties of $1,348.
[3] Includes collateral received under securities lending arrangements.
[4] 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.

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:

	2023						
	FVTPL bonds	**FVTPL mortgage loans**	**FVTPL stocks [4]**	**Investment properties**	**Trading account assets**	**Assets held for sale**	**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	6	345	148	(507)	(12)	25	5
Included in other comprehensive income [1]	—	52	(12)	53	—	(14)	79
Purchases	68	—	948	191	23	12	1,242
Issues	—	569	—	—	—	—	569
Sales	(17)	—	(304)	(211)	—	(67)	(599)
Settlements	—	(134)	—	—	—	—	(134)
Other [2]	—	—	—	—	(951)	951	—
Transfers into Level 3 [3]	—	—	—	—	—	—	—
Transfers out of Level 3 [3]	—	—	—	—	—	—	—
Balance, end of year	$ 252	$ 4,203	$ 3,809	$ 7,870	$ —	$ 907	$ 17,041
Total gains (losses) for the year included in net investment result	$ 6	$ 345	$ 148	$ (507)	$ (12)	$ 25	$ 5
Change in unrealized gains (losses) for the year included in earnings for assets held at December 31, 2023	$ 6	$ 334	$ 148	$ (499)	$ —	$ 25	$ 14

	2022						
	FVTPL bonds	FVTPL mortgage loans	FVTPL stocks [4]	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 [3]	—	—	—	—	—	12	12
Transfers out of Level 3 [3]	—	—	—	—	—	(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 result	$ (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 FVTPL, mortgage loans and investment properties represents the unrealized gains (losses) on foreign exchange.

2 Represents amounts reclassified to assets held for sale as a result of the agreement to sell Putnam Investments (note 4).

3 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.

4 Includes investments in mutual and segregated funds where there are redemption restrictions. The fair value is based on observable, quoted prices.

The following sets out information about significant unobservable inputs used at year-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	Range of 4.2% - 11.3%	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 4.1% - 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 4.7%	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 (FVTPL)	The valuation approach for equity release mortgages is to use an internal valuation model to determine the projected asset cash flows, including the 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% - 6.2%	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.

The following presents the Company's assets, liabilities and equity disclosed at fair value on a recurring basis by hierarchy level:

	2023				
	Level 1	Level 2	Level 3	Other assets/ liabilities not held at fair value	Total
Assets disclosed at fair value					
Financial assets at amortized cost					
Mortgage loans	$ —	$ 3,923	$ —	$ —	$ 3,923
Total financial assets at amortized cost	—	3,923	—	—	3,923
Other stocks [1]	321	—	—	456	777
Total assets disclosed at fair value	$ 321	$ 3,923	$ —	$ 456	$ 4,700
Liabilities and equity disclosed at fair value					
Debentures and other debt instruments	$ 192	$ 8,212	$ —	$ —	$ 8,404
Limited recourse capital notes	—	1,155	—	—	1,155
Total liabilities and equity disclosed at fair value	$ 192	$ 9,367	$ —	$ —	$ 9,559

1 Other stocks include the Company's investment in IGM.

	2022 [1]				
	Level 1	Level 2	Level 3	Other assets/ liabilities not held at fair value	Total
Assets disclosed at fair value					
Financial assets at amortized cost					
Mortgage loans	$ —	$ 3,577	$ —	$ —	$ 3,577
Total financial assets at amortized cost	—	3,577	—	—	3,577
Other stocks [2]	347	—	—	263	610
Total assets disclosed at fair value	$ 347	$ 3,577	$ —	$ 263	$ 4,187
Liabilities and equity disclosed at fair value					
Debentures and other debt instruments	$ 877	$ 8,485	$ —	$ —	$ 9,362
Limited recourse capital notes	—	1,125	—	—	1,125
Total liabilities and equity disclosed at fair value	$ 877	$ 9,610	$ —	$ —	$ 10,487

1 Represents application of IFRS 9 overlay.

2 Other stocks include the Company's investment in IGM.

9. Goodwill and Intangible Assets

(a) Goodwill

(i) The Carrying Value and Changes in the Carrying Value of Goodwill are as Follows:

	2023	2022
Cost		
Balance, beginning of year	$ 11,860	$ 10,284
Transfer to assets held for sale	(1,214)	—
Business acquisitions	702	1,287
Purchase price allocation adjustments	(1)	31
Allocated to intangible assets	(11)	(80)
Changes in foreign exchange rates	(52)	338
Balance, end of year	$ 11,284	$ 11,860
Accumulated impairment		
Balance, beginning of year	$ (1,249)	$ (1,177)
Transfer to assets held for sale	1,214	—
Changes in foreign exchange rates	—	(72)
Balance, end of year	$ (35)	$ (1,249)
Net carrying amount	$ 11,249	$ 10,611

(ii) Goodwill has Been Assigned to Cash Generating Unit Groupings as Follows:

	2023	2022
Canada		
Group Customer	$ 1,482	$ 1,482
Individual Customer	3,250	2,560
Europe	2,366	2,355
United States		
Financial Services	4,151	4,214
Total	$ 11,249	$ 10,611

(b) Intangible Assets

Intangible assets of $4,484 ($6,230 as at December 31, 2022) include indefinite life and finite life intangible assets. The carrying value and changes in the carrying value of these intangible assets are as follows:

(i) Indefinite Life Intangible Assets:

	2023				2022			
	Brands and trademarks	Customer contract related	Shareholders' portion of acquired future participating account profit	Total	Brands and trademarks	Customer contract related	Shareholders' portion of acquired future participating account profit	Total
Cost								
Balance, beginning of year	$ 1,079	$ 2,678	$ 354	$ 4,111	$ 1,048	$ 2,542	$ 354	$ 3,944
Additions	—	26	—	26	—	—	—	—
Transfer to assets held for sale	(425)	(2,294)	—	(2,719)	—	—	—	—
Transfer to finite life intangible assets	(95)	—	—	(95)	—	—	—	—
Changes in foreign exchange rates	3	—	—	3	31	136	—	167
Balance, end of year	$ 562	$ 410	$ 354	$ 1,326	$ 1,079	$ 2,678	$ 354	$ 4,111
Accumulated impairment								
Balance, beginning of year	$ (137)	$ (1,092)	$ —	$ (1,229)	$ (130)	$ (1,028)	$ —	$ (1,158)
Transfer to assets held for sale	103	1,092	—	1,195	—	—	—	—
Impairment	(23)	—	—	(23)	—	—	—	—
Changes in foreign exchange rates	—	—	—	—	(7)	(64)	—	(71)
Balance, end of year	$ (57)	$ —	$ —	$ (57)	$ (137)	$ (1,092)	$ —	$ (1,229)
Net carrying amount	$ 505	$ 410	$ 354	$ 1,269	$ 942	$ 1,586	$ 354	$ 2,882

During 2023, the Company recognized an impairment of $23 on the PanAgora brand which is presented within operating and administrative expenses in the Consolidated Statements of Earnings.

(ii) Indefinite Life Intangible Assets Have Been Assigned to Cash Generating Unit Groupings as Follows:

	2023	2022
Canada		
Group Customer	$ 354	$ 354
Individual Customer	649	649
Europe	247	218
United States		
Asset Management	19	1,566
Financial Services	—	95
Total	$ 1,269	$ 2,882

PART B
GREAT-WEST LIFECO INC.

(iii) Finite Life Intangible Assets:

2023	Customer contract related	Distribution channels	Brands and trademarks	Technology and software	Total
Amortization period range	7 - 30 years	30 years	10 years	3 - 10 years	
Amortization method	Straight-line	Straight-line	Straight-line	Straight-line	
Cost					
Balance, beginning of year	$ 3,182	$ 105	$ —	$ 2,886	$ 6,173
Additions	29	—	—	313	342
Transfer to assets held for sale	(50)	—	—	(325)	(375)
Transfer from indefinite life intangible assets	—	—	95	—	95
Changes in foreign exchange rates	(29)	2	(2)	(5)	(34)
Disposals	—	—	—	(312)	(312)
Balance, end of year	$ 3,132	$ 107	$ 93	$ 2,557	$ 5,889
Accumulated amortization and impairment					
Balance, beginning of year	$ (1,013)	$ (68)	$ —	$ (1,744)	$ (2,825)
Transfer to assets held for sale	39	—	—	244	283
Changes in foreign exchange rates	5	(1)	—	7	11
Disposals	—	—	—	223	223
Amortization	(166)	(4)	(7)	(189)	(366)
Balance, end of year	$ (1,135)	$ (73)	$ (7)	$ (1,459)	$ (2,674)
Net carrying amount	$ 1,997	$ 34	$ 86	$ 1,098	$ 3,215

2022 (Restated)	Customer contract related	Distribution channels	Brands and trademarks	Technology and software	Total
Amortization period range	7 - 30 years	30 years	10 years	3 - 10 years	
Amortization method	Straight-line	Straight-line	Straight-line	Straight-line	
Cost					
Balance, beginning of year	$ 2,494	$ 107	$ —	$ 2,488	$ 5,089
Additions	548	—	—	352	900
Changes in foreign exchange rates	140	(2)	—	76	214
Disposals	—	—	—	(30)	(30)
Balance, end of year	$ 3,182	$ 105	$ —	$ 2,886	$ 6,173
Accumulated amortization and impairment					
Balance, beginning of year	$ (821)	$ (66)	$ —	$ (1,474)	$ (2,361)
Changes in foreign exchange rates	(32)	2	—	(58)	(88)
Disposals	—	—	—	2	2
Amortization from continuing operations	(157)	(4)	—	(193)	(354)
Amortization from discontinued operations (note 4)	(3)	—	—	(21)	(24)
Balance, end of year	$ (1,013)	$ (68)	$ —	$ (1,744)	$ (2,825)
Net carrying amount	$ 2,169	$ 37	$ —	$ 1,142	$ 3,348

During 2023, the Company recognized an impairment of $88 ($25 in 2022) on software assets in the United Kingdom which is presented within operating and administrative expenses in the Consolidated Statements of Earnings.

The weighted average remaining amortization period of the customer contract related, distribution channels and brands and trademarks are 14, 10 and 9 years respectively (15, 11 and nil years respectively at December 31, 2022).

(c) Recoverable Amount

For the purposes of annual impairment testing, the Company allocates intangible assets to cash generating units and goodwill to cash generating unit groupings. Any potential impairment of indefinite life intangible assets is identified by comparing the recoverable amount of a cash generating unit to its carrying value. Any potential impairment of goodwill is identified by comparing the recoverable amount of a cash generating unit grouping to its carrying value.

Fair value is initially assessed with reference to valuation multiples of comparable publicly-traded financial institutions and precedent business acquisition transactions. The calculations utilize earnings and cash flow projections based on financial budgets approved by management. These valuation multiples may include price-to-earnings or price-to-book measures for life insurers and asset managers. This assessment may give regard to a variety of relevant considerations, including expected growth, risk and capital market conditions, among other factors. The valuation multiples used in assessing fair value represent Level 2 inputs.

In the fourth quarter of 2023, the Company conducted its annual impairment testing of intangible assets and goodwill based on September 30, 2023 asset balances. It was determined that the recoverable amounts of cash generating units for intangible assets and cash generating unit groupings for goodwill were in excess of their carrying values and there was no evidence of impairment.

Any reasonable changes in assumptions and estimates used in determining recoverable amounts of cash generating units or cash generating unit groupings is unlikely to cause carrying values to exceed recoverable amounts.

10. Owner Occupied Properties and Fixed Assets

The carrying value of owner occupied properties and the changes in the carrying value of owner occupied properties are as follows:

	2023	2022
Carrying value, beginning of year	$ 907	$ 882
Less: accumulated depreciation/impairments	(183)	(146)
Net carrying value, beginning of year	724	736
Additions	26	14
Disposals	—	—
Impairment	—	(18)
Depreciation	(18)	(19)
Foreign exchange	(1)	11
Net carrying value, end of year	$ 731	$ 724

The net carrying value of fixed assets is $335 at December 31, 2023 ($399 at December 31, 2022).

The following provides details of the net carrying value of owner occupied properties and fixed assets by operating segment:

	2023	2022
Canada	$ 583	$ 601
United States	270	334
Europe	212	187
Capital and Risk Solutions	1	1
Total	$ 1,066	$ 1,123

There are no restrictions on the title of the owner occupied properties and fixed assets, nor are they pledged as security for debt.

11. Other Assets

	2023	2022 (Restated)
Deferred acquisition costs	$ 913	$ 923
Right-of-use assets	308	371
Trading account assets [1]	3,038	2,972
Finance leases receivable	668	536
Defined benefit pension plan assets (note 26)	365	463
Prepaid expenses	128	132
Funds held under investment contracts	7,268	8,130
Miscellaneous other assets	1,795	2,422
Total	$ 14,483	$ 15,949

[1] Includes bonds of $2,797 and stocks of $241 at December 31, 2023 (bonds of $2,647 and stocks of $325 at December 31, 2022).

Total other assets of $5,000 ($5,560 at December 31, 2022) are expected to be derecognized within 12 months from the reporting date. This amount excludes deferred acquisition costs, the changes in which are noted below.

Deferred Acquisition Costs

	2023	2022 (Restated)
Balance, beginning of year	$ 923	$ 851
Additions	201	173
Amortization	(114)	(101)
Changes in foreign exchange rates	(2)	23
Disposals	(95)	(23)
Balance, end of year	$ 913	$ 923

Right-of-Use Assets

	2023			2022		
	Property	**Equipment**	**Total**	Property	Equipment	Total
Cost						
Balance, beginning of year	$ 626	$ 13	$ 639	$ 578	$ 12	$ 590
Additions	91	2	93	40	2	42
Modifications	(3)	—	(3)	(8)	(1)	(9)
Changes in foreign exchange rates	(2)	—	(2)	16	—	16
Transfer to assets held for sale	(147)	(2)	(149)	—	—	—
Balance, end of year	$ 565	$ 13	$ 578	$ 626	$ 13	$ 639
Accumulated depreciation						
Balance, beginning of year	$ (259)	$ (9)	$ (268)	$ (194)	$ (7)	$ (201)
Depreciation	(50)	(2)	(52)	(66)	(3)	(69)
Modifications	2	—	2	6	1	7
Changes in foreign exchange rates	(1)	—	(1)	(5)	—	(5)
Transfer to assets held for sale	47	2	49	—	—	—
Balance, end of year	$ (261)	$ (9)	$ (270)	$ (259)	$ (9)	$ (268)
Net carrying amount, end of year	$ 304	$ 4	$ 308	$ 367	$ 4	$ 371

Finance Leases Receivable

The Company has a finance lease on one property in Canada which has been leased for a 25-year term. The Company has ten finance leases on properties in Europe. These properties have been leased for terms ranging between 27 and 40 years.

The Terms to Maturity of the Lease Payments Receivable are as Follows:

	2023	2022
One year or less	$ 39	$ 34
Over one year to two years	41	36
Over two years to three years	42	37
Over three years to four years	42	37
Over four years to five years	43	37
Over five years	1,063	879
Total undiscounted lease payments	1,270	1,060
Less: unearned finance lease income	602	524
Total finance leases receivable	$ 668	$ 536
Finance income on the net investment in the leases	$ 32	$ 28

12. Insurance Revenue

	2023	2022
Contracts not measured under the PAA		
Amounts relating to changes in liabilities for remaining coverage		
Experience adjustments	$ (87)	$ (127)
CSM recognized for services provided	1,224	1,169
Change in risk adjustment for non-financial risk for risk expired	609	638
Expected incurred claims and other insurance service expenses	9,161	8,802
Recovery of insurance acquisition cash flows	556	446
	$ 11,463	$ 10,928
Contracts measured under the PAA	8,939	8,704
Total insurance revenue	$ 20,402	$ 19,632

13. Insurance Service and Other Operating Expenses

	2023	2022
Claims and benefits incurred	$ 13,982	$ 12,924
Allocation of premium directly to recovery of insurance acquisition cash flows	702	637
Adjustments to the liability for incurred claims	(625)	12
Losses and reversal of losses on onerous insurance contracts	62	61
Salaries and other employee benefits	4,544	4,148
General and administrative	1,785	1,264
Interest expense on leases	11	10
Depreciation of fixed assets	87	105
Depreciation of right-of-use assets	52	57
Commissions	1,579	1,658
Total expenses	$ 22,179	$ 20,876
Represented by:		
Insurance service expenses	$ 15,777	$ 15,272
Other operating and administrative expenses	6,402	5,604
Total expenses	$ 22,179	$ 20,876

14. Insurance Contracts

(a) Analysis by Remaining Coverage and Incurred Claims

Insurance contracts	**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**	**Asset for acquisition cash flows**	**Total**
Opening assets	$ (1,275)	$ 2	$ 197	$ (64)	$ —	$ —	$ (1,140)
Opening liabilities	118,505	199	3,366	12,994	545	(171)	135,438
Opening liabilities on account of segregated fund policyholders	57,841	—	—	—	—	—	57,841
Net opening balance	175,071	201	3,563	12,930	545	(171)	192,139
Changes in the Consolidated Statements of Earnings and Comprehensive Income							
Insurance revenue	(20,402)	—	—	—	—	—	(20,402)
Insurance service expenses							
Incurred claims and other insurance service expenses	—	(22)	9,311	6,250	99	—	15,638
Amortization of insurance acquisition cash flows	702	—	—	—	—	—	702
Losses and reversal of losses on onerous contracts	—	62	—	—	—	—	62
Adjustments to liabilities for incurred claims	—	—	(47)	(455)	(123)	—	(625)
	702	40	9,264	5,795	(24)	—	15,777
Investment components	(10,085)	—	7,193	2,892	—	—	—
Total changes in insurance service result	(29,785)	40	16,457	8,687	(24)	—	(4,625)
Net finance (income) expenses from insurance contracts	9,515	12	5,274	709	31	—	15,541
Effect of movement in exchange rates	88	—	7	72	3	—	170
Total changes in the Consolidated Statements of Earnings and Comprehensive Income	(20,182)	52	21,738	9,468	10	—	11,086
Cash flows							
Premiums received	30,906	—	—	—	—	—	30,906
Incurred claims paid and other insurance service expenses paid	(63)	—	(21,594)	(8,823)	—	—	(30,480)
Insurance acquisition cash flows	(865)	—	—	—	—	—	(865)
Insurance acquisition cash flows transferred from the asset for insurance acquisition cash flows at initial recognition	(32)	—	—	—	—	—	(32)
Other cash flows [1]	903	—	—	—	—	—	903
Total cash flows	30,849	—	(21,594)	(8,823)	—	—	432
Asset for acquisition cash flows							
Insurance acquisition cash flows paid in the period	—	—	—	—	—	(35)	(35)
Insurance acquisition cash flows allocated to groups of insurance contracts recognized in the period	—	—	—	—	—	32	32
Total changes in asset for acquisition cash flows	—	—	—	—	—	(3)	(3)
Other movements [2]	(157)	—	—	—	—	—	(157)
Net closing balance [3]	$ 185,581	$ 253	$ 3,707	$ 13,575	$ 555	$ (174)	$ 203,497
Recorded in:							
Closing assets	$ (2,021)	$ —	$ 831	$ (3)	$ —	$ —	$ (1,193)
Closing liabilities	127,300	253	2,876	13,578	555	(174)	144,388
Closing liabilities on account of segregated fund policyholders	60,302	—	—	—	—	—	60,302
Net closing balance [3]	$ 185,581	$ 253	$ 3,707	$ 13,575	$ 555	$ (174)	$ 203,497

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 settlements, 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 Included in the insurance contract balances are loans to policyholders of $8,945 and funds withheld of $3,926.

Insurance contracts

	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	Asset for acquisition cash flows	Total
Opening assets	$ (2,125)	$ —	$ 730	$ (138)	$ —	$ —	$ (1,533)
Opening liabilities	140,178	181	2,963	14,155	595	(162)	157,910
Opening liabilities on account of segregated fund policyholders	65,253	—	—	—	—	—	65,253
Net opening balance	203,306	181	3,693	14,017	595	(162)	221,630
Changes in the Consolidated Statements of Earnings and Comprehensive Income							
Insurance revenue	(19,632)	—	—	—	—	—	(19,632)
Insurance service expenses							
Incurred claims and other insurance service expenses	—	(26)	8,848	5,396	344	—	14,562
Amortization of insurance acquisition cash flows	637	—	—	—	—	—	637
Losses and reversal of losses on onerous contracts	—	61	—	—	—	—	61
Adjustments to liabilities for incurred claims	—	—	(66)	377	(299)	—	12
	637	35	8,782	5,773	45	—	15,272
Investment components	(9,018)	—	6,072	2,946	—	—	—
Total changes in insurance service result	(28,013)	35	14,854	8,719	45	—	(4,360)
Net finance (income) expenses from insurance contracts	(27,956)	(16)	4,370	(1,359)	(88)	—	(25,049)
Effect of movement in exchange rates	127	1	27	(139)	(7)	—	9
Total changes in the Consolidated Statements of Earnings and Comprehensive Income	(55,842)	20	19,251	7,221	(50)	—	(29,400)
Cash flows							
Premiums received	30,502	—	—	—	—	—	30,502
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	30,415	—	(19,362)	(8,280)	—	—	2,773
Asset for acquisition cash flows							
Insurance acquisition cash flows paid in the period	—	—	—	—	—	(107)	(107)
Insurance acquisition cash flows allocated to groups of insurance contracts recognized in the period	—	—	—	—	—	98	98
Total changes in asset for acquisition cash flows	—	—	—	—	—	(9)	(9)
Other movements [2]	(2,982)	—	(19)	(28)	—	—	(3,029)
Impact of acquisitions/dispositions [3]	174	—	—	—	—	—	174
Net closing balance [4]	$ 175,071	$ 201	$ 3,563	$ 12,930	$ 545	$ (171)	$ 192,139
Recorded in:							
Closing assets	$ (1,275)	$ 2	$ 197	$ (64)	$ —	$ —	$ (1,140)
Closing liabilities	118,505	199	3,366	12,994	545	(171)	135,438
Closing liabilities on account of segregated fund policyholders	57,841	—	—	—	—	—	57,841
Net closing balance [4]	$ 175,071	$ 201	$ 3,563	$ 12,930	$ 545	$ (171)	$ 192,139

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 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.

4 Included in the insurance contract balances are loans to policyholders of $8,999 and funds withheld of $4,105.

(b) Analysis by Measurement Component for Insurance Contracts not Measured Under PAA

Insurance contracts	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	105,278	6,036	11,361	122,675
Opening liabilities on account of segregated fund policyholders	57,841	—	—	57,841
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	—	—	(1,224)	(1,224)
Change in risk adjustment for non-financial risk for risk expired	—	(611)	—	(611)
Experience adjustments	214	1	—	215
Changes that relate to future service				
Contracts initially recognized in the year	(1,037)	358	688	9
Changes in estimates that adjust the CSM	(11)	91	(80)	—
Changes in estimates that result in losses and reversal of losses on onerous contacts	56	15	—	71
Changes that relate to past service				
Adjustment to liabilities for incurred claims	(45)	(2)	—	(47)
Total changes in insurance service result	(823)	(148)	(616)	(1,587)
Net finance (income) expenses from insurance contracts	14,058	591	152	14,801
Effect of movement in exchange rates	(22)	32	78	88
Total changes in the Consolidated Statements of Earnings and Comprehensive Income	13,213	475	(386)	13,302
Cash flows				
Premiums received	19,144	—	—	19,144
Incurred claims paid and other insurance service expenses paid	(21,654)	—	—	(21,654)
Insurance acquisition cash flows	(755)	—	—	(755)
Other cash flows [1]	897	—	—	897
Total cash flows	(2,368)	—	—	(2,368)
Other movements [2]	(157)	—	—	(157)
Net closing balance	$ 169,536	$ 7,026	$ 13,748	$ 190,310
Recorded in:				
Closing assets	$ (6,560)	$ 1,654	$ 3,796	$ (1,110)
Closing liabilities	115,794	5,372	9,952	131,118
Closing liabilities on account of segregated fund policyholders	60,302	—	—	60,302
Net closing balance	$ 169,536	$ 7,026	$ 13,748	$ 190,310

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 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.

Insurance contracts	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	127,643	7,067	9,447	144,157
Opening liabilities on account of segregated fund policyholders	65,253	—	—	65,253
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 (income) expenses from insurance contracts	(21,211)	(2,497)	116	(23,592)
Effect of movement in exchange rates	254	(83)	2	173
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)
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	105,278	6,036	11,361	122,675
Closing liabilities on account of segregated fund policyholders	57,841	—	—	57,841
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 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) Composition of Insurance Contract Liabilities and Related Supporting Assets

(i) The Composition of the Insurance and Reinsurance Contract Assets and Liabilities, as well as Investment Contract Liabilities is as Follows:

	2023				
	Insurance contract assets	**Reinsurance contract held assets**	**Insurance contract liabilities**	**Investment contract liabilities**	**Reinsurance contract held liabilities**
Participating					
Canada	$ —	$ —	$ 50,499	$ —	$ —
United States	—	—	5,032	—	—
Europe	—	—	124	—	—
Capital and Risk Solutions	—	—	671	—	—
Non-Participating					
Canada	400	1,243	30,956	3,931	208
United States	291	12,243	13,047	83,966	163
Europe	331	3,713	39,266	341	250
Capital and Risk Solutions	171	133	4,793	681	27
Total	$ 1,193	$ 17,332	$ 144,388	$ 88,919	$ 648

	2022				
	Insurance contract assets	Reinsurance contract held assets	Insurance contract liabilities	Investment contract liabilities	Reinsurance contract held liabilities
Participating					
Canada	$ —	$ —	$ 46,127	$ —	$ —
United States	—	—	5,161	—	—
Europe	—	—	126	—	—
Capital and Risk Solutions	—	—	656	—	—
Non-Participating					
Canada	408	1,211	28,931	3,635	164
United States	245	12,624	13,508	90,139	167
Europe	322	3,639	35,544	323	226
Capital and Risk Solutions	165	97	5,385	713	(20)
Total	$ 1,140	$ 17,571	$ 135,438	$ 94,810	$ 537

(ii) The Composition of the Assets Supporting Insurance and Investment Contract Liabilities and Equity is as Follows:

2023	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Carrying value						
Participating liabilities						
Canada	$ 22,726	$ 12,503	$ 9,853	$ 4,662	$ 755	$ 50,499
United States	4,299	500	187	—	46	5,032
Europe	56	—	41	3	24	124
Capital and Risk Solutions	570	5	—	—	96	671
Non-participating liabilities						
Canada	21,408	4,244	2,782	644	5,809	34,887
United States	53,381	11,760	1,301	—	30,571	97,013
Europe	25,738	6,707	467	2,113	4,582	39,607
Capital and Risk Solutions	4,938	488	—	—	48	5,474
Other	11,448	1,483	164	—	436,977	450,072
Total equity	12,487	724	938	448	15,254	29,851
Total carrying value	$ 157,051	$ 38,414	$ 15,733	$ 7,870	$ 494,162	$ 713,230
Fair value	$ 157,051	$ 37,915	$ 15,667	$ 7,870	$ 494,162	$ 712,665

2022 [1]	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Carrying value						
Participating liabilities						
Canada	$ 20,006	$ 12,049	$ 9,194	$ 4,876	$ 2	$ 46,127
United States	4,366	552	137	—	106	5,161
Europe	54	—	46	8	18	126
Capital and Risk Solutions	553	7	—	—	96	656
Non-participating liabilities						
Canada	20,610	3,851	2,707	685	4,713	32,566
United States	60,783	12,456	873	—	29,535	103,647
Europe	23,512	6,082	388	2,345	3,540	35,867
Capital and Risk Solutions	5,343	216	—	—	539	6,098
Other	10,023	1,128	79	—	401,933	413,163
Total equity	10,841	856	877	430	15,791	28,795
Total carrying value	$ 156,091	$ 37,197	$ 14,301	$ 8,344	$ 456,273	$ 672,206
Fair value	$ 156,091	$ 36,582	$ 14,273	$ 8,344	$ 456,273	$ 671,563

[1] Represents application of IFRS 9 overlay.

Cash flows of assets supporting insurance and investment contract liabilities are matched within reasonable limits. Changes in the fair values of these assets are largely offset by changes in the fair value of insurance and investment contract liabilities.

Changes in the fair values of assets backing capital and surplus, less related income taxes, would result in a corresponding change in surplus over time in accordance with investment accounting policies.

(d) Effect on Measurement Components of Contracts Initially Recognized in the Year

Insurance contracts	**2023**		
	Profitable contracts issued	**Onerous contracts issued**	**Total**
Insurance acquisition cash flows	$ 465	$ 46	$ 511
Claims and other insurance service expenses payable	11,710	88	11,798
Estimates of present value of cash outflows	12,175	134	12,309
Estimates of present value of cash inflows	(13,208)	(138)	(13,346)
Risk adjustment for non-financial risk	338	20	358
CSM	690	(2)	688
Total losses (gains) recognized on initial recognition	$ (5)	$ 14	$ 9

Insurance contracts	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 (gains) recognized on initial recognition	$ (8)	$ 21	$ 13

The Company did not acquire any insurance contracts held through transfer or business combination.

(e) Maturity Analysis of Insurance and Reinsurance Contracts Held

The following table shows the undiscounted expected future cash outflows (inflows) for insurance and reinsurance contracts held by expected timing based on best estimate actuarial assumptions and excludes amounts from insurance contract liabilities on account of segregated fund holders. Whole life individual insurance products have expected cash flows for several decades in the future. Examples of cash outflows are payment of claims and expenses, and examples of cash inflows are premiums.

	2023						
	1 year or less	**1-2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**Over 5 years**	**Total**
Insurance contracts							
Insurance contract liabilities	$ 7,815	$ 4,180	$ 4,150	$ 4,331	$ 4,602	$ 434,966	$ 460,044
Insurance contract assets	(674)	(675)	(633)	(577)	(534)	(7,892)	(10,985)
	$ 7,141	$ 3,505	$ 3,517	$ 3,754	$ 4,068	$ 427,074	$ 449,059
Reinsurance contracts held							
Reinsurance contract held liabilities	$ 15	$ 110	$ 96	$ 85	$ 69	$ (41)	$ 334
Reinsurance contract held assets	(407)	(94)	(70)	(83)	(76)	(3,258)	(3,988)
	$ (392)	$ 16	$ 26	$ 2	$ (7)	$ (3,299)	$ (3,654)

	2022						
	1 year or less	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
Insurance contracts							
Insurance contract liabilities	$ 6,685	$ 3,355	$ 3,274	$ 3,524	$ 3,615	$ 395,405	$ 415,858
Insurance contract assets	(592)	(499)	(480)	(430)	(387)	(3,056)	(5,444)
	$ 6,093	$ 2,856	$ 2,794	$ 3,094	$ 3,228	$ 392,349	$ 410,414
Reinsurance contracts held							
Reinsurance contract held liabilities	$ (107)	$ (29)	$ (33)	$ (32)	$ (31)	$ 644	$ 412
Reinsurance contract held assets	(392)	(120)	(83)	(87)	(99)	(3,532)	$ (4,313)
	$ (499)	$ (149)	$ (116)	$ (119)	$ (130)	$ (2,888)	$ (3,901)

(f) Amount of Insurance Contract Liabilities Payable on Demand

The amounts from insurance contract liabilities that are payable on demand are set out below. The amounts payable on demand include the cash surrender value and/or the account value less applicable surrender charges payable. Insurance contract liabilities held on account of segregated fund holders are excluded from the amounts payable on demand and carrying amounts.

	2023	2022
Amounts payable on demand	$ 61,367	$ 58,426
Carrying amounts	93,324	85,805

(g) 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**	**Over 10 years**	**Total**
2023	$ 1,138	$ 1,051	$ 972	$ 898	$ 827	$ 3,241	$ 5,621	$ 13,748
2022	1,139	1,060	972	899	832	3,336	5,896	14,134

(h) Expected Derecognition of the Asset for Insurance Acquisition Cash Flows

	Insurance contracts							
	1 year or less	**1-2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**5-10 years**	**Over 10 years**	**Total**
2023	$ 30	$ 28	$ 26	$ 24	$ 20	$ 46	$ —	$ 174
2022	29	27	25	23	21	46	—	171

(i) Insurance Risk

Actuarial Assumptions

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. 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. 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 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:

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, the Company uses 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.

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.

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.

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.

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.

Utilization of Elective Policy Options

There are a wide range of elective options embedded in the policies issued by the Company. Examples include term renewals, conversion to whole life insurance (term insurance), settlement annuity purchase at guaranteed rates (deposit annuities) and guarantee re-sets (segregated fund maturity guarantees). The assumed rates of utilization are based on Company or industry experience when it exists and otherwise based on judgment considering incentives to utilize the option. Generally, whenever it is clearly in the best interests of an informed policyholder to utilize an option, then it is assumed to be elected.

Policyholder Dividends and Adjustable Policy Features

Future policyholder dividends and other adjustable policy features are included in the determination of insurance contract liabilities with the assumption that policyholder dividends or adjustable benefits will change in the future in response to the relevant experience. The dividend and policy adjustments are determined consistent with policyholders' reasonable expectations, such expectations being influenced by the participating policyholder dividend policies and/or policyholder communications, marketing material and past practice. It is the Company's expectation that changes will occur in policyholder dividend scales or adjustable benefits for participating or adjustable business respectively, corresponding to changes in the best estimate assumptions, resulting in an immaterial net change in insurance contract liabilities. Where underlying guarantees may limit the ability to pass all of this experience back to the policyholder, the impact of this non-adjustability impacting shareholders' net earnings is reflected in the impacts of changes in best estimate assumptions below.

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.

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.

Non-Financial Exposures and Sensitivities

Insurance Risk

	2023			
	Net earnings		**CSM** [1]	
	Before Reinsurance	**Net of Reinsurance Held**	**Before Reinsurance**	**Net of Reinsurance Held**
2% Life mortality increase	$ (100)	$ (100)	$ (375)	$ (200)
2% Annuity mortality decrease	175	150	(700)	(625)
5% Morbidity adverse change	(150)	(125)	(225)	(100)
5% Expense increase	—	—	(150)	(150)
10% Adverse change in policy termination and renewal	50	50	(1,025)	(950)

	2022			
	Net earnings		CSM [1]	
	Before Reinsurance	Net of Reinsurance Held	Before Reinsurance	Net of Reinsurance Held
2% Life mortality increase	$ 50	$ 25	$ (550)	$ (325)
2% Annuity mortality decrease	200	200	(725)	(650)
5% Morbidity adverse change	(75)	(100)	(275)	(125)
5% Expense increase	—	—	(175)	(175)
10% Adverse change in policy termination and renewal	150	150	(1,125)	(1,100)

[1] The impacts to the CSM are pre-tax.

These sensitivities reflect the impact on net earnings and CSM of an immediate change in assumptions on the value of insurance and reinsurance contracts held and investment contracts. The impact on equity is equal to the net earnings impact.

Under IFRS 17, assumption changes on insurance risks directly impact CSM, for contracts which have CSM. The impact of assumption changes on CSM are measured at locked-in discount rates, for contracts measured under the General Measurement Model. Net earnings impacts arise from any differences relative to the fair value impact of assumption changes impacting CSM, as well as assumption changes on contracts which do not have CSM (including short term insurance contracts). For assumption changes impacting CSM, there is a second-order impact to earnings which captures the present value difference between the impact of assumption changes measured at prevailing discount rates and locked-in discount rates. In general, prevailing discount rates are currently higher than locked-in rates for the Company's insurance contracts, as most locked-in rates for the calculation of CSM impacts were struck at January 1, 2022 for the in-force portfolio. Therefore, an unfavourable change in assumptions on insurance risks, leading to a liability strengthening offset by CSM reduction, also results in a positive earnings impact in the period due to the fair value impact.

Concentration risk may arise from geographic regions, accumulation of risks and market risk. The concentration of insurance risk before and after reinsurance by geographic region is described in the segmented information (note 33).

Reinsurance Risk

Maximum limits per insured life benefit amount (which vary by line of business) are established for life and health insurance, and reinsurance is purchased for amounts in excess of those limits.

Reinsurance costs and recoveries as defined by the reinsurance agreement are reflected in the valuation with these costs and recoveries being appropriately calibrated to the direct assumptions.

Reinsurance contracts do not relieve the Company from its obligations to policyholders. Failure of reinsurers to honour their obligations could result in losses to the Company. The Company evaluates the financial condition of its reinsurers to minimize its exposure to significant losses from reinsurer insolvencies.

Certain of the reinsurance contracts are on a funds withheld basis where the Company retains the assets supporting the reinsured insurance contract liabilities, thus minimizing the exposure to significant losses from reinsurer insolvency on those contracts.

Discount Rates

The following table provides the lower and upper end of the range of the spot rates used by the Company to discount liability cash flows by major currency:

2023		Year 1	Year 5	Year 10	Year 20	Year 30	Year 50
CAD	**Lower**	6.0 %	4.5 %	4.4 %	4.3 %	4.2 %	4.5 %
	Upper	6.4 %	4.9 %	4.9 %	4.9 %	4.8 %	4.9 %
USD	**Lower**	5.7 %	4.8 %	4.8 %	5.3 %	4.9 %	4.7 %
	Upper	6.1 %	5.2 %	5.3 %	5.8 %	5.4 %	5.0 %
EUR	**Lower**	3.2 %	2.1 %	2.2 %	2.5 %	2.9 %	4.3 %
	Upper	4.8 %	3.6 %	3.8 %	4.1 %	4.2 %	4.5 %
GBP	**Lower**	4.9 %	3.8 %	4.0 %	4.7 %	4.6 %	3.7 %
	Upper	5.9 %	4.8 %	5.1 %	5.7 %	5.6 %	4.7 %

2022		Year 1	Year 5	Year 10	Year 20	Year 30	Year 50
CAD	Lower	5.9 %	4.8 %	4.8 %	4.9 %	4.7 %	5.0 %
	Upper	6.3 %	5.3 %	5.3 %	5.3 %	5.2 %	5.1 %
USD	Lower	5.9 %	5.3 %	5.1 %	5.6 %	5.2 %	4.9 %
	Upper	6.3 %	5.7 %	5.5 %	6.0 %	5.6 %	5.0 %
EUR	Lower	2.5 %	2.8 %	2.8 %	2.9 %	3.1 %	4.3 %
	Upper	4.2 %	4.5 %	4.5 %	4.6 %	4.5 %	4.6 %
GBP	Lower	4.0 %	4.2 %	4.3 %	4.6 %	4.4 %	3.8 %
	Upper	5.3 %	5.4 %	5.5 %	5.9 %	5.7 %	5.1 %

The spot 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.

15. Reinsurance Contracts Held

(a) Analysis by Remaining Coverage and Incurred Claims

Reinsurance contracts held	2023					
	Asset for remaining coverage		Asset for incurred claims			
				Contracts under PAA		
	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	(3,676)	28	1,319	784	1	(1,544)
Investment components	(107)	—	107	—	—	—
Net finance income from reinsurance contracts, excluding the effect of changes in non-performance risk of reinsurers	184	6	34	—	—	224
Effect of movement in exchange rates	(189)	—	11	3	—	(175)
Total changes in the Consolidated Statements of Earnings and Comprehensive Income	(3,788)	34	1,471	787	1	(1,495)
Cash flows						
Premiums paid	6,930	—	—	—	—	6,930
Incurred claims received and other insurance service amounts received	—	—	(1,426)	(861)	—	(2,287)
Other cash flows [1]	(3,341)	—	—	—	—	(3,341)
Total cash flows	3,589	—	(1,426)	(861)	—	1,302
Other movements [2]	(157)	—	—	—	—	(157)
Net closing balance [3]	$ 15,096	$ 110	$ 1,220	$ 246	$ 12	$ 16,684
Recorded in:						
Closing assets	$ 15,981	$ 90	$ 1,002	$ 247	$ 12	$ 17,332
Closing liabilities	(885)	20	218	(1)	—	(648)
Net closing balance [3]	$ 15,096	$ 110	$ 1,220	$ 246	$ 12	$ 16,684

[1] Other cash flows includes premiums to be settled via FCB, claims to be settled via FCB, and net settlements.

[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] Included in the reinsurance contracts held amounts are funds withheld by the Company under reinsurance contracts of $4,491.

Reinsurance contracts held	2022					
	Asset for remaining coverage		Asset for incurred claims			
				Contracts under PAA		
	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	(3,538)	17	1,196	788	6	(1,531)
Investment components	(63)	—	63	—	—	—
Net finance income from reinsurance contracts, excluding the effect of changes in non-performance risk of reinsurers	(1,180)	(6)	(50)	(12)	(3)	(1,251)
Effect of movement in exchange rates	737	—	5	(3)	—	739
Total changes in the Consolidated Statements of Earnings and Comprehensive Income	(4,044)	11	1,214	773	3	(2,043)
Cash flows						
Premiums paid	3,308	—	—	—	—	3,308
Incurred claims received and other insurance service amounts received	—	—	(1,034)	(794)	—	(1,828)
Other cash flows [1]	29	—	—	—	—	29
Total cash flows	3,337	—	(1,034)	(794)	—	1,509
Other movements [2]	(2,952)	—	(32)	(1)	—	(2,985)
Net closing balance [3]	$ 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 [3]	$ 15,452	$ 76	$ 1,175	$ 320	$ 11	$ 17,034

1 Other cash flows includes premiums to be settled via FCB, claims to be settled via FCB, and net settlements.

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 Included in the reinsurance contracts held amounts are funds withheld by the Company under reinsurance contracts of $1,039.

(b) Analysis by Measurement Component for Reinsurance Contracts Held not Measured Under PAA

Reinsurance contracts held	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	—	—	(102)	(102)
Change in risk adjustment for non-financial risk for risk expired	—	(156)	—	(156)
Experience adjustments	40	(1)	—	39
Changes that relate to future service				
Contracts initially recognized in the year	(85)	69	22	6
Changes in estimates that adjust the CSM	(332)	158	174	—
Changes in estimates that result in losses and reversal of losses on onerous contacts	20	10	—	30
Changes that relate to past service				
Changes in amounts recoverable arising from changes in liability for incurred claims	(4)	(1)	—	(5)
Net expenses from reinsurance contracts	(361)	79	94	(188)
Net finance income from reinsurance contracts, excluding the effect of changes in non-performance risk of reinsurers	62	152	13	227
Effect of movement in exchange rates	(181)	7	(5)	(179)
Total changes in the Consolidated Statements of Earnings and Comprehensive Income	(480)	238	102	(140)
Cash flows				
Premiums paid	4,834	—	—	4,834
Incurred claims received and other insurance service amounts received	(1,427)	—	—	(1,427)
Other cash flows [1]	(3,341)	—	—	(3,341)
Total cash flows	66	—	—	66
Other movements [2]	(157)	—	—	(157)
Net closing balance	$ 13,762	$ 1,729	$ 1,113	$ 16,604
Recorded in:				
Closing assets	$ 16,181	$ 866	$ 163	$ 17,210
Closing liabilities	(2,419)	863	950	(606)
Net closing balance	$ 13,762	$ 1,729	$ 1,113	$ 16,604

1 Other cash flows includes premiums to be settled via FCB, claims to be settled via FCB, and net settlements.

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.

Reinsurance contracts held	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 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 from reinsurance contracts, excluding the effect of changes in non-performance risk of reinsurers	(787)	(472)	27	(1,232)
Effect of movement in exchange rates	759	(10)	(6)	743
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 premiums to be settled via FCB, claims to be settled via FCB, and net settlements.

[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 Year

Reinsurance contracts held	**2023**	2022
Estimates of present value of cash outflows	$ 882	$ 1,199
Estimates of present value of cash inflows	(797)	(1,086)
Risk adjustment for non-financial risk	(69)	(74)
Income recognized on initial recognition	6	14
CSM	$ (22)	$ (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	Over 10 years	Total
2023	$ (122)	$ (108)	$ (97)	$ (86)	$ (77)	$ (266)	$ (357)	$ (1,113)
2022	(91)	(82)	(75)	(68)	(61)	(253)	(381)	(1,011)

16. Investment Contract Liabilities

Change in Investment Contract Liabilities Measured at Fair Value

	2023	2022
Balance, beginning of year	$ 94,810	$ 53,694
Impact of acquired business	—	44,905
Normal change in force business	(9,356)	(1,544)
Investment experience	4,806	(8,454)
Management action and changes in assumptions	(9)	(13)
Impact of foreign exchange rate changes	(1,332)	6,222
Balance, end of year	$ 88,919	$ 94,810

All investment contract liabilities are measured at FVTPL.

17. Segregated Funds and Other Structured Entities

The Company offers segregated fund products in Canada, the U.S. and Europe that are referred to as segregated funds, separate accounts and unit-linked funds in the respective region. These funds are contracts issued by insurers to segregated fund policyholders where the benefit is directly linked to the performance of the investments, the risks or rewards of the fair value movements and net investment income is realized by the segregated fund policyholders. The segregated fund policyholders are required to select segregated funds that hold a range of underlying investments. While the Company has legal title to the investments, there is a contractual obligation to pass along the investment results to the segregated fund policyholder and the Company segregates these investments from those of the Company.

In Canada and the U.S., the segregated fund and separate account assets are legally separated from the general assets of the Company under the terms of the policyholder agreement and cannot be used to settle obligations of the Company. In Europe, the assets of the funds are functionally and constructively segregated from those of the Company. As a result of the legal and constructive arrangements of these funds, the assets of these funds are presented on the Consolidated Balance Sheets as investments on account of segregated fund policyholders and the associated liabilities as investment contracts on account of segregated fund policyholders and insurance contracts on account of segregated fund policyholders.

In circumstances where the segregated funds are invested in structured entities and are deemed to control the entity, the Company has presented the non-controlling ownership interest within the segregated funds for the risk of policyholders as equal and offsetting amounts in the assets and liabilities. The amounts presented within are $6,070 at December 31, 2023 ($6,388 at December 31, 2022).

Within the Consolidated Statements of Earnings, all segregated fund policyholders' income, including fair value changes and net investment income, is credited to the segregated fund policyholders and reflected in the assets and liabilities on account of segregated fund policyholders within the Consolidated Balance Sheets. These revenues and expenses are presented in the Consolidated Statements of Earnings where the contracts with the segregated fund policyholders are classified as insurance contracts.

Segregated Funds Guarantee Exposure

The Company offers retail segregated fund products, unitized with profits (UWP) products and variable annuity products that provide for certain guarantees that are tied to the market values of the investment funds. While these products are similar to mutual funds, there is a key difference from mutual funds as the segregated funds have certain guarantee features that protect the segregated fund policyholder from market declines in the underlying investments. These guarantees are the Company's primary exposure on these funds. The Company accounts for these guarantees within insurance and investment contract liabilities within the consolidated financial statements. In addition to the Company's exposure on the guarantees, the fees earned by the Company on these products are impacted by the market value of these funds.

In Canada, the Company offers retail segregated fund products through Canada Life. These products provide guaranteed minimum death benefits (GMDB) and guaranteed minimum accumulation on maturity benefits.

In the U.S., the Company has a mix of open and closed blocks of group variable annuities with guaranteed minimum withdrawal benefits (GMWB) and a closed block of group standalone GMDB products which mainly provide return of premium on death. A block of GMWB policies was acquired from Prudential on April 1, 2022.

In Europe, the Company offers UWP products in Germany and unit-linked products with investment guarantees in Ireland. These products are similar to segregated fund products but include minimum credited interest rates and pooling of policyholders' funds.

The Company also offers a GMWB product in the U.S., and Germany, and previously offered a GMWB product in Canada and Ireland. Certain GMWB products offered by the Company offer levels of death and maturity guarantees. At December 31, 2023, the amount of GMWB product in-force in Canada, the U.S., Ireland and Germany was $7,343 ($7,033 at December 31, 2022).

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

	2023	2022 [1]
Cash and cash equivalents	$ 15,024	$ 14,562
Bonds	72,111	69,371
Mortgage loans	2,022	2,159
Stocks and units in unit trusts	130,415	117,863
Mutual funds	188,549	168,459
Investment properties	12,071	13,035
	420,192	385,449
Accrued income	832	692
Other liabilities	(4,138)	(4,647)
Non-controlling mutual funds interest	6,070	6,388
Total [2]	$ 422,956	$ 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 December 31, 2023, $64,097 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 $72 of cash and cash equivalents, $11,133 of bonds, $15 of stocks and units in unit trusts, $52,816 of mutual funds, $89 of accrued income and $(28) of other liabilities.

(b) Insurance and Investment Contracts on Account of Segregated Fund Policyholders

	2023	2022
Insurance contracts on account of segregated fund policyholders	$ 60,302	$ 57,841
Investment contracts on account of segregated fund policyholders	362,654	330,041
	$ 422,956	$ 387,882

(c) Insurance Contracts on Account of Segregated Fund Policyholders - Effect on Measurement Components of Contracts Initially Recognized in the Year

Segregated funds	**2023**		
	Profitable contracts issued	**Onerous contracts issued**	**Total**
Insurance acquisition cash flows	$ —	$ —	$ —
Claims and other insurance service expenses payable	3,367	—	3,367
Estimates of present value of cash outflows	3,367	—	3,367
Estimates of present value of cash inflows	(3,367)	—	(3,367)
Risk adjustment for non-financial risk	—	—	—
Total losses (gains) recognized on initial recognition	$ —	$ —	$ —

Segregated funds	2022		
	Profitable contracts issued	Onerous contracts issued	Total
Insurance acquisition cash flows	$ —	$ —	$ —
Claims and other insurance service expenses payable	4,275	—	4,275
Estimates of present value of cash outflows	4,275	—	4,275
Estimates of present value of cash inflows	(4,275)	—	(4,275)
Risk adjustment for non-financial risk	—	—	—
Total losses (gains) recognized on initial recognition	$ —	$ —	$ —

(d) Insurance and Investment Contracts on Account of Segregated Funds Policyholders

	2023	2022 [1]
Balance, beginning of year	$ 387,882	$ 357,419
Additions (deductions):		
Policyholder deposits	51,236	40,618
Net investment income	7,333	8,019
Net realized capital gains on investments	6,430	1,082
Net unrealized capital gains (losses) on investments	33,660	(62,823)
Unrealized gains (losses) due to changes in foreign exchange rates	(1,033)	9,487
Policyholder withdrawals	(59,686)	(46,859)
Portfolio transfer (note 4) / business acquisition	(2,662)	77,700
Change in segregated fund investment in general fund	54	64
Change in general fund investment in segregated fund	14	(14)
Net transfer from (to) general fund	46	(74)
Non-controlling mutual funds interest	(318)	3,263
Total	35,074	30,463
Balance, end of year	$ 422,956	$ 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.

(e) Investments on Account of Segregated Fund Policyholders by Fair Value Hierarchy Level

	2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments on account of segregated fund policyholders [1]	$ 299,451	$ 113,199	$ 13,792	$ 426,442

1 Excludes other liabilities, net of other assets, of $3,486.

	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.

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 2023, certain foreign stock holdings valued at $56 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.

As at December 31, 2023, $3,912 ($3,928 at December 31, 2022) of the segregated funds were invested in funds managed by related parties IG Wealth Management and Mackenzie Investments, members of the Power Corporation group of companies (note 28).

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:

	2023	2022
Balance, beginning of year	$ 14,455	$ 13,822
Total gains (losses) included in segregated fund investment income	(1,073)	(310)
Purchases	795	1,011
Sales	(445)	(366)
Transfers into Level 3	350	343
Transfers out of Level 3	(290)	(45)
Balance, end of year	$ 13,792	$ 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.

In addition to the segregated funds, the Company has interests in a number of structured unconsolidated entities including mutual funds, open-ended investment companies, and unit trusts. These entities are created as investment strategies for its unit-holders based on the directive of each individual fund.

Some of these funds are sub-advised by related parties of the Company, who are paid sub-advisory fees at normal market rates for their services.

The Company earns management fees related to managing the segregated fund products. Management fees can be variable due to performance of factors – such as markets or industries – in which the fund invests. Fee income derived in connection with the management of investment funds generally increases or decreases in direct relationship with changes of assets under management which is affected by prevailing market conditions, and the inflow and outflow of client assets.

Factors that could cause assets under management and fees to decrease include declines in equity markets, changes in fixed income markets, changes in interest rates and defaults, redemptions and other withdrawals, political and other economic risks, changing investment trends and relative investment performance. The risk is that fees may vary but expenses and recovery of initial expenses are relatively fixed, and market conditions may cause a shift in asset mix potentially resulting in a change in revenue.

During 2023, fee and other income earned by the Company resulting from the Company's interests in segregated funds and other structured entities was $4,020 ($3,911 during 2022).

Included within other assets (note 11) at December 31, 2023 is $2,878 ($2,777 at December 31, 2022) of investments by the Company in bonds and stocks of Empower and other sponsored funds and $160 ($195 at December 31, 2022) of investments in stocks of sponsored unit trusts in Europe.

18. Debentures and Other Debt Instruments

	2023 Carrying value	2023 Fair value	2022 Carrying value	2022 Fair value
Short-term				
Commercial paper and other short-term debt instruments with interest rates 5.729% (4.628% at December 31, 2022), unsecured	$ 132	$ 132	$ 135	$ 135
Revolving credit facility with interest based on Adjusted Term SOFR (U.S. $45; U.S. $50 at December 31, 2022), unsecured	60	60	67	67
Non-revolving credit facility with interest based on Adjusted Term SOFR (U.S. $0; U.S. $500 at December 31, 2022), unsecured	—	—	675	675
Total short-term	192	192	877	877
Capital:				
Long-term				
Lifeco				
6.74% Debentures due November 24, 2031, unsecured	196	229	196	223
6.67% Debentures due March 21, 2033, unsecured	395	461	395	447
5.998% Debentures due November 16, 2039, unsecured	343	396	343	372
4.70% Senior bonds due November 16, 2029, unsecured, (€500) [1]	726	784	721	744
3.337% Debentures due February 28, 2028, unsecured	499	483	498	467
2.981% Debentures due July 8, 2050, unsecured	494	388	494	342
2.50% Senior bonds due April 18, 2023, unsecured, (€500) [1]	—	—	725	724
2.379% Debentures due May 14, 2030, unsecured	598	540	597	507
1.75% Senior bonds due December 7, 2026, unsecured, (€500) [1]	728	703	722	665
	3,979	3,984	4,691	4,491
Canada Life				
6.40% Subordinated debentures due December 11, 2028, unsecured	100	109	100	108
Canada Life Capital Trust (CLCT)				
7.529% due June 30, 2052, unsecured, face value $150	156	179	157	177
Great-West Lifeco Finance 2018, LP				
4.581% Senior notes due May 17, 2048, unsecured, (U.S. $500)	659	597	669	555
4.047% Senior notes due May 17, 2028, unsecured, (U.S. $300)	398	388	403	380
	1,057	985	1,072	935
Great-West Lifeco Finance (Delaware) LP				
4.15% Senior notes due June 3, 2047, unsecured, (U.S. $700)	917	787	930	729
Great-West Lifeco U.S. Finance 2020, LP				
0.904% Senior notes due August 12, 2025, unsecured, (U.S. $500)	663	621	672	600
Empower Finance 2020, LP				
3.075% Senior notes due September 17, 2051, unsecured, (U.S. $700)	922	643	935	588
1.776% Senior notes due March 17, 2031, unsecured, (U.S. $400)	530	429	537	406
1.357% Senior notes due September 17, 2027, unsecured, (U.S. $400)	530	475	538	451
	1,982	1,547	2,010	1,445
Total long-term	8,854	8,212	9,632	8,485
Total	$ 9,046	$ 8,404	$ 10,509	$ 9,362

[1] Designated as hedges of the net investment in foreign operations.

On April 18, 2023, the Company repaid the principal amount of its maturing 2.50% €500 senior bonds, together with accrued interest.

Great-West Lifeco U.S. LLC, a subsidiary of the Company, made payments on its non-revolving credit facility of U.S. $150 on March 31, 2023, U.S. $150 on June 30, 2023, U.S. $100 on September 29, 2023 and U.S. $100 on December 29, 2023. The remaining drawn balance was nil as at December 31, 2023.

Capital Trust Securities

CLCT, a trust established by Canada Life, had issued $150 of Canada Life Capital Securities - Series B (CLiCS - Series B), the proceeds of which were used by CLCT to purchase Canada Life senior debentures in the amount of $150.

Distributions and interest on the capital trust securities are classified as financing costs in the Consolidated Statements of Earnings (note 19). The fair value for capital trust securities is determined by the bid-ask price. Refer to note 7 for risk management.

Subject to regulatory approval, CLCT may redeem the CLiCS - Series B, in whole or in part, at any time.

19. Financing Costs

Financing costs consist of the following:

	2023	2022
Operating charges:		
Interest on operating lines and short-term debt instruments	$ 30	$ 24
Financial charges:		
Interest on long-term debentures and other debt instruments	304	280
Interest on limited recourse capital notes	54	54
Interest on capital trust securities	11	11
Other	27	24
	396	369
Total	$ 426	$ 393

20. Other Liabilities

	2023	2022 (Restated)
Pension and other post-employment benefits (note 26)	$ 581	$ 563
Lease liabilities	361	507
Bank overdraft	243	274
Deferred income reserves	256	293
Other	8,146	7,276
Total	$ 9,587	$ 8,913

Total other liabilities of $8,389 ($6,755 at December 31, 2022) are expected to be derecognized within 12 months from the reporting date. This amount excludes deferred income reserves, the changes in which are noted below.

Deferred Income Reserves

	2023	2022
Balance, beginning of year	$ 293	$ 314
Additions	54	63
Amortization	(62)	(63)
Changes in foreign exchange	6	(7)
Disposals	(35)	(14)
Balance, end of year	$ 256	$ 293

Lease Liabilities

	2023		
	Property	**Equipment**	**Total**
Balance, beginning of year	$ 503	$ 4	$ 507
Transfer to liabilities held for sale	(157)	—	(157)
Additions	96	1	97
Modifications	(31)	—	(31)
Lease payments	(58)	(2)	(60)
Changes in foreign exchange rates	(6)	—	(6)
Interest	11	—	11
Balance, end of year	$ 358	$ 3	$ 361

	2022		
	Property	Equipment	Total
Balance, beginning of year	$ 517	$ 5	$ 522
Additions	40	2	42
Modifications	(2)	—	(2)
Lease payments	(86)	(3)	(89)
Changes in foreign exchange rates	15	—	15
Interest	19	—	19
Balance, end of year	$ 503	$ 4	$ 507

The following table presents the contractual undiscounted cash flows for lease obligations:

	Total undiscounted lease obligations						
	1 year or less	**1-2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**Over 5 years**	**Total**
2023	$ 61	$ 51	$ 49	$ 47	$ 40	$ 175	$ 423
2022	79	72	62	56	55	310	634

21. Non-Controlling Interests

The Company has a controlling equity interest in Canada Life, Empower, and Putnam at December 31, 2023 and December 31, 2022.

Non-controlling interests attributable to participating account surplus is the proportion of the equity attributable to the participating account of the Company's subsidiaries.

Non-controlling interests in subsidiaries also include non-controlling interests for the issued and outstanding shares of Putnam and PanAgora held by employees of the respective companies, as well as through a Canada Life subsidiary's controlling interest in certain Canadian advisor businesses.

(a) The Non-Controlling Interests Recorded in the Consolidated Statements of Earnings and the Other Comprehensive Income are as Follows:

	2023	2022
Net earnings attributable to participating account		
Canada Life	$ 24	$ (91)
Empower	(1)	—
Net earnings (loss) - participating account	23	(91)
Non-controlling interests in subsidiaries	—	3
Total	$ 23	$ (88)

The Company paid $1,818 of participating policyholder dividends for the year ended December 31, 2023 ($1,627 for the year ended December 31, 2022).

The non-controlling interests recorded in other comprehensive income (loss) for the year ended December 31, 2023 was $87 ($(153) for the year ended December 31, 2022).

(b) The Carrying Value of Non-Controlling Interests Consists of the Following:

	2023	2022
Participating account surplus in subsidiaries:		
Canada Life	$ 2,844	$ 2,733
Empower	3	1
Total	$ 2,847	$ 2,734
Non-controlling interests in subsidiaries	$ 168	$ 152

PART B
GREAT-WEST LIFECO INC.

22. Share Capital

(a) Limited Recourse Capital Notes

Limited recourse capital notes	Earliest redemption date	Interest rate	2023 Carrying value	2023 Fair value	2022 Carrying value	2022 Fair value
Series 1	November 30, 2026	3.60 %	$ 1,500	$ 1,155	$ 1,500	$ 1,125

On August 16, 2021, the Company issued $1,500 aggregate principal amount 3.60% Limited Recourse Capital Notes Series 1 (Subordinated Indebtedness) at par, maturing on December 31, 2081 (LRCN Series 1). The LRCN Series 1 bear interest at a fixed rate of 3.60% per annum payable semi-annually, up to but excluding December 31, 2026. On December 31, 2026 and every five years thereafter until and including December 31, 2076, the interest rate on the LRCN Series 1 will be reset at an interest rate equal to the five-year Government of Canada Yield, plus 2.641%. Commencing November 30, 2026, the Company will have the option to redeem the LRCN Series 1 every five years during the period from November 30 to December 31, in whole or in part at par, together in each case with accrued and unpaid interest.

Non-payment of interest or principal when due on the LRCN Series 1 will result in a recourse event, with the noteholders' sole remedy being receipt of their proportionate share of Non-Cumulative 5-Year Rate Reset First Preferred Shares, Series U (Series U Preferred Shares) held in a newly formed consolidated trust (Limited Recourse Trust). All claims of the holders of LRCN Series 1 against the Company will be extinguished upon receipt of the corresponding trust assets. The Series U Preferred Shares are eliminated on the Company's Consolidated Balance Sheets while being held within the Limited Recourse Trust.

(b) Preferred Shares

Authorized

Unlimited First Preferred Shares, Class A Preferred Shares and Second Preferred Shares

Unlimited Common Shares

Issued and outstanding and fully paid

	2023 Number	2023 Carrying value	2022 Number	2022 Carrying value
First Preferred Shares				
Series G, 5.20% Non-Cumulative	12,000,000	$ 300	12,000,000	$ 300
Series H, 4.85% Non-Cumulative	12,000,000	300	12,000,000	300
Series I, 4.50% Non-Cumulative	12,000,000	300	12,000,000	300
Series L, 5.65% Non-Cumulative	6,800,000	170	6,800,000	170
Series M, 5.80% Non-Cumulative	6,000,000	150	6,000,000	150
Series N, 1.749% Non-Cumulative Rate Reset	10,000,000	250	10,000,000	250
Series P, 5.40% Non-Cumulative	10,000,000	250	10,000,000	250
Series Q, 5.15% Non-Cumulative	8,000,000	200	8,000,000	200
Series R, 4.80% Non-Cumulative	8,000,000	200	8,000,000	200
Series S, 5.25% Non-Cumulative	8,000,000	200	8,000,000	200
Series T, 5.15% Non-Cumulative	8,000,000	200	8,000,000	200
Series Y, 4.50% Non-Cumulative	8,000,000	200	8,000,000	200
Total	108,800,000	$ 2,720	108,800,000	$ 2,720
Common shares				
Balance, beginning of year	931,853,110	$ 5,791	930,620,338	$ 5,748
Issued in business acquisition	2,278,830	89	—	—
Shares exercised and issued under share-based payment plans	4,296,047	158	1,232,772	43
Shares purchased and cancelled under normal course issuer bid	(6,000,000)	(233)	—	—
Excess of redemption proceeds over stated capital per normal course issuer bid	—	195	—	—
Balance, end of year	932,427,987	$ 6,000	931,853,110	$ 5,791

The Series G, 5.20% Non-Cumulative First Preferred Shares are currently redeemable at the option of the Company for $25.00 per share, together with all declared and unpaid dividends up to but excluding the date of redemption.

The Series H, 4.85% Non-Cumulative First Preferred Shares are currently redeemable at the option of the Company for $25.00 per share, together with all declared and unpaid dividends up to but excluding the date of redemption.

The Series I, 4.50% Non-Cumulative First Preferred Shares are currently redeemable at the option of the Company for $25.00 per share, together with all declared and unpaid dividends up to but excluding the date of redemption.

The Series L, 5.65% Non-Cumulative First Preferred Shares are currently redeemable at the option of the Company for $25.00 per share, together with all declared and unpaid dividends up to but excluding the date of redemption.

The Series M, 5.80% Non-Cumulative First Preferred Shares are currently redeemable at the option of the Company for $25.00 per share, together with all declared and unpaid dividends up to but excluding the date of redemption.

The Series N, Non-Cumulative 5-Year Rate Reset First Preferred Shares carry an annual fixed non-cumulative dividend rate of 1.749% up to but excluding December 31, 2025 and are redeemable at the option of the Company on December 31, 2025 and on December 31 every five years thereafter for $25.00 per share plus all declared and unpaid dividends up to but excluding the date of redemption. Subject to the Company's right of redemption and certain other restrictions on conversion described in the Series N share conditions, each Series N share is convertible into one Series O, Non-Cumulative Floating Rate First Preferred Share at the option of the holders on December 31, 2025 and on December 31 every five years thereafter.

The Series P, 5.40% Non-Cumulative First Preferred Shares are currently redeemable at the option of the Company for $25.00 per share, together with all declared and unpaid dividends up to but excluding the date of redemption.

The Series Q, 5.15% Non-Cumulative First Preferred Shares are currently redeemable at the option of the Company for $25.00 per share, together with all declared and unpaid dividends up to but excluding the date of redemption.

The Series R, 4.80% Non-Cumulative First Preferred Shares are currently redeemable at the option of the Company for $25.00 per share, together with all declared and unpaid dividends up to but excluding the date of redemption.

The Series S, 5.25% Non-Cumulative First Preferred Shares are redeemable at the option of the Company for $25.00 per share, together with all declared and unpaid dividends up to but excluding the date of redemption.

The Series T, 5.15% Non-Cumulative First Preferred Shares are redeemable at the option of the Company for $25.00 per share plus a premium if redeemed prior to June 30, 2026, together with all declared and unpaid dividends up to but excluding the date of redemption.

The Series Y, 4.50% Non-Cumulative First Preferred Shares are redeemable at the option of the Company on or after December 31, 2026 for $25.00 per share plus a premium if redeemed prior to December 31, 2030, together with all declared and unpaid dividends up to but excluding the date of redemption.

(c) Common Shares

Normal Course Issuer Bid

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. During the year ended December 31, 2023, the Company repurchased and subsequently cancelled 6,000,000 common shares under the current NCIB at a cost of $233 (nil for the year ended December 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 $195 and was recognized as a reduction to accumulated surplus for the year ended December 31, 2023 (nil for the year ended December 31, 2022, under the previous NCIB).

On January 25, 2024, the Company announced a new NCIB commencing January 29, 2024 and terminating January 28, 2025 to purchase for cancellation up to but not more than 20,000,000 of its common shares at market prices.

23. Earnings Per Common Share

The following provides the reconciliation between basic and diluted earnings per common share:

	2023	2022 (Restated)
Earnings		
Net earnings from continuing operations before preferred share dividends	$ 2,992	$ 3,758
Preferred share dividends	(130)	(130)
Net earnings from continuing operations	$ 2,862	$ 3,628
Net earnings (loss) from discontinued operations	(124)	(32)
Net earnings - common shareholders	$ 2,738	$ 3,596
Number of common shares		
Average number of common shares outstanding	931,645,747	931,682,589
Add: Potential exercise of outstanding stock options	1,889,104	598,494
Average number of common shares outstanding - diluted basis	933,534,851	932,281,083
Basic earnings per common share	$ 2.94	$ 3.86
Diluted earnings per common share	$ 2.93	$ 3.86
Basic earnings per common share from continuing operations	$ 3.07	$ 3.89
Diluted earnings per common share from continuing operations	$ 3.07	$ 3.89
Dividends per common share	$ 2.08	$ 1.96

24. 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 material capital transactions undertaken by management.

(b) Regulatory Capital

In Canada, 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 ratio for Canada Life:

	2023
Tier 1 Capital	$ 18,285
Tier 2 Capital	5,223
Total Available Capital	23,508
Surplus Allowance & Eligible Deposits	5,406
Total Capital Resources	$ 28,914
Required Capital	$ 22,525
Total LICAT Ratio (OSFI Supervisory Target = 100%) [1]	128 %

[1] Total Ratio (%) = (Total Capital Resources / Required Capital)

For entities based in Europe, the local solvency capital regime is the Solvency II basis. At December 31, 2023 and December 31, 2022, all European regulated entities met the capital and solvency requirements as prescribed under Solvency II.

Empower is subject to the risk-based capital regulatory regime in the U.S. Other foreign operations and foreign subsidiaries of the Company are required to comply with local capital or solvency requirements in their respective jurisdictions. At December 31, 2023 and December 31, 2022, the Company maintained capital levels above the minimum local regulatory requirements in each of its foreign operations.

25. Share-Based Payments

(a) Stock Option Plan

The Company has a stock option plan (the Plan) pursuant to which options to subscribe for common shares of Lifeco may be granted to certain officers and employees of Lifeco and its affiliates. The Company's Human Resources Committee (the Committee) administers the Plan and, subject to the specific provisions of the Plan, fixes the terms and conditions upon which options are granted. The exercise price of each option granted under the Plan is fixed by the Committee, but cannot under any circumstances be less than the weighted average trading price per Lifeco common share on the Toronto Stock Exchange for the five trading days preceding the date of the grant. Options granted prior to January 1, 2019 vest over a period of five years. Options granted on or after January 1, 2019 vest 50% three years after the grant date and 50% four years after the grant date. Options have a maximum exercise period of ten years from the grant date. Termination of employment may, in certain circumstances, result in forfeiture of the options, unless otherwise determined by the Committee. In 2023, the maximum number of Lifeco common shares issuable under the Plan was 72,500,000.

During 2023, 2,957,200 common share options were granted (2,369,100 during 2022). The weighted average fair value of common share options granted during 2023 was $4.41 per option ($3.57 in 2022). The fair value of each common share option was estimated using the Black-Scholes option-pricing model with the following weighted average assumptions used for those options granted in 2023: dividend yield 5.65% (5.07% in 2022), expected volatility 18.98% (18.15% in 2022), risk-free interest rate 3.45% (1.60% in 2022), and expected life of eight years (eight in 2022).

The following summarizes the changes in options outstanding and the weighted average exercise price:

	2023		2022	
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Outstanding, beginning of year	17,093,615	$ 33.82	16,123,727	$ 32.92
Granted	2,957,200	36.81	2,369,100	38.68
Exercised	(4,296,047)	32.88	(1,232,772)	31.24
Forfeited/expired	(190,280)	35.62	(166,440)	34.41
Outstanding, end of year	15,564,488	$ 34.63	17,093,615	$ 33.82
Options exercisable at end of year	7,267,288	$ 33.50	8,950,405	$ 33.73

The weighted average share price at the date of exercise of stock options for the year ended December 31, 2023 was $39.69 ($39.35 in 2022).

Compensation expense due to the Plan transactions accounted for as equity-settled share-based payments of $8 after-tax in 2023 ($6 after-tax in 2022) has been recognized in the Consolidated Statements of Earnings.

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GREAT-WEST LIFECO INC.

The following summarizes information on the ranges of exercise prices including weighted average remaining contractual life at December 31, 2023:

	Outstanding			Exercisable		
Exercise price ranges	Options	Weighted average remaining contractual life	Weighted average exercise price	Options	Weighted average exercise price	Expiry
$30.28 - $38.71	653,008	0.65	$ 33.48	653,008	$ 33.48	2024
$34.68 - $36.87	725,880	1.20	$ 35.71	725,880	$ 35.71	2025
$30.28 - $36.87	1,243,900	2.17	$ 34.56	1,243,900	$ 34.56	2026
$30.28 - $36.87	948,100	3.21	$ 36.22	948,100	$ 36.22	2027
$30.28 - $34.21	1,386,050	4.21	$ 33.88	1,386,050	$ 33.88	2028
$30.28 - $32.50	1,618,000	5.17	$ 30.35	1,618,000	$ 30.35	2029
$32.22 - $32.22	1,513,650	6.16	$ 32.22	692,350	$ 32.22	2030
$32.10 - $38.75	2,306,100	7.16	$ 32.30	—	$ —	2031
$31.59 - $38.71	2,272,000	8.16	$ 38.68	—	$ —	2032
$36.69 - $38.87	2,897,800	9.16	$ 36.82	—	$ —	2033

(b) Deferred Share Unit Plans

To promote greater alignment of interests between the Directors and Lifeco's shareholders, the Company and certain of its subsidiaries have mandatory DSU Plans and/or voluntary DSU Plans (the “Mandatory DSU Plans” and the “Voluntary DSU Plans” respectively) in which the Directors of the Company participate. Under the Mandatory DSU Plans, each Director who is a resident of Canada or the United States must receive 50% of their annual Board retainer in the form of Deferred Share Units (DSUs). Under the Voluntary DSU Plans, each Director may elect to receive the balance of their annual Board retainer and Board Committee fees entirely in the form of DSUs, entirely in cash, or equally in cash and DSUs. In both cases, the number of DSUs granted is determined by dividing the amount of remuneration payable to the Director by the weighted average trading price per Lifeco common share on the Toronto Stock Exchange (TSX) for the last five trading days of the preceding fiscal quarter. Directors receive additional DSUs for dividends payable on the Company's common shares based on the value of a DSU at the dividend payment date. DSUs are redeemable when an individual ceases to be a Director, or as applicable, an officer or employee of the Company or any of its affiliates by a lump sum cash payment, based on the weighted average trading price per Lifeco common share on the TSX for the last five trading days preceding the date of redemption. In 2023, $7 in Directors' fees were used to acquire DSUs ($6 in 2022). At December 31, 2023, the carrying value of the DSU liability is $101 ($66 in 2022) recorded within other liabilities.

Certain employees of the Company are entitled to receive DSUs. Under these DSU Plans, certain employees may elect to receive DSUs as settlement of their annual incentive plan or as settlement of PSUs issued under the Company’s PSU Plan. In both cases these employees are granted DSUs equivalent to the Company’s common shares. Employees receive additional DSUs in respect of dividends payable on the common shares based on the value of the DSUs at the time. DSUs are redeemable when an individual ceases to be an officer or employee of the Company or any of its affiliates, by a lump sum cash payment representing the value of the DSUs at that date. The Company uses the fair-value based method to account for the DSUs granted to employees under the plans. For the year ended December 31, 2023, the Company recognized compensation expense of $24 ($2 in 2022) for the DSU Plans recorded in operating and administrative expenses in the Consolidated Statements of Earnings. At December 31, 2023, the carrying value of the DSU liability is $63 ($40 in 2022) recorded within other liabilities in the Consolidated Balance Sheets.

(c) Performance Share Unit Plan

Certain employees of the Company are entitled to receive PSUs. Under the PSU Plan, these employees are granted PSUs equivalent to the Company’s common shares vesting over a three-year period. Employees receive additional PSUs in respect of dividends payable on the common shares based on the value of a PSU at that time. At the maturity date, employees receive cash representing the value of the PSU at this date. The Company uses the fair-value based method to account for the PSUs granted to employees under the plan. For the year ended December 31, 2023, the Company recognized compensation expense, excluding the impact of hedging, of $179 ($74 in 2022) for the PSU Plan recorded in operating and administrative expenses in the Consolidated Statements of Earnings. At December 31, 2023, the carrying value of the PSU liability is $157 ($131 in 2022) recorded within other liabilities.

(d) Employee Share Ownership Plan

The Company's Employee Share Ownership Plan (ESOP) is a voluntary plan where eligible employees can contribute up to 5% of their previous year’s eligible earnings to purchase common shares of Lifeco. The Company matches 50% of the total employee contributions. The contributions from the Company vest immediately and are expensed. For the year ended December 31, 2023, the Company recognized compensation expense of $13 ($13 in 2022) for the ESOP recorded in operating and administrative expenses in the Consolidated Statements of Earnings.

(e) Putnam Investments, LLC Equity Incentive Plan

Putnam sponsors the Putnam Investments, LLC Equity Incentive Plan. Under the terms of the Equity Incentive Plan, Putnam is authorized to grant or sell Class B Shares of Putnam (the Putnam Class B Shares), subject to certain restrictions, and to grant options to purchase Putnam Class B Shares (collectively, the Awards) to certain senior management and key employees of Putnam at fair value at the time of the award. Fair value is determined under the valuation methodology outlined in the Equity Incentive Plan. Awards vest over a period of up to five years and are specified in the individual's award letter. Holders of Putnam Class B Shares are not entitled to vote other than in respect of certain matters in regards to the Equity Incentive Plan and have no rights to convert their shares into any other securities. The number of Putnam Class B Shares that may be subject to Awards under the Equity Incentive Plan is limited to 16,764,705.

During 2023, Putnam granted 46,000 (3,519,634 in 2022) restricted Class B common shares to certain members of senior management and key employees.

Compensation expense recorded for the year ended December 31, 2023 related to restricted Class B common shares and Class B stock options earned was $50 ($49 in 2022) and is recorded in net earnings (loss) from discontinued operations in the Consolidated Statements of Earnings.

(f) PanAgora Management Equity Plan

Certain employees of PanAgora, a subsidiary of Putnam, are eligible to participate in the PanAgora Management Equity Plan under which Class C Shares of PanAgora and options and stock appreciation rights on Class C Shares of PanAgora may be issued. Holders of PanAgora Class C Shares are not entitled to vote and have no rights to convert their shares into any other securities. The number of PanAgora Class C Shares may not exceed 20% of the equity of PanAgora on a fully exercised and converted basis.

Compensation expense recorded for the year ended December 31, 2023 related to restricted Class C Shares and stock appreciation rights was $14 in 2023 ($13 in 2022) and is included as a component of operating and administrative expenses in the Consolidated Statements of Earnings.

26. Pension Plans and Other Post-Employment Benefits

Characteristics, Funding and Risk

The Company’s subsidiaries maintain contributory and non-contributory defined benefit pension plans for eligible employees and advisors. The Company’s subsidiaries also maintain defined contribution pension plans for eligible employees and advisors.

The defined benefit pension plans provide pensions based on length of service and final average pay; however, these plans are closed to new entrants. Many of the defined benefit pension plans also no longer provide future defined benefit accruals. The Company's defined benefit plan exposure is expected to reduce in future years. Where defined benefit pension accruals continue, active plan participants share in the cost by making contributions in respect of current service. Certain pension payments are indexed either on an ad hoc basis or a guaranteed basis. The determination of the defined benefit obligation reflects pension benefits in accordance with the terms of the plans. Assets supporting the funded pension plans are held in separate trusteed pension funds. Obligations for the wholly unfunded plans are included in other liabilities and are supported by general assets.

New hires and active plan participants in defined benefit plans closed to future defined benefit accruals are eligible for defined contribution pension benefits. The defined contribution pension plans provide pension benefits based on accumulated employee and employer contributions. Employer contributions to these plans are a set percentage of employees’ annual income and may be subject to certain vesting requirements.

The Company’s subsidiaries also provide post-employment health, dental and life insurance benefits to eligible employees, advisors and their dependents. Retirees share in the cost of benefits through deductibles, co-insurance and caps on benefits. These plans are closed to new hires and were previously amended to limit which employees could become eligible to receive benefits. The amount of some of the post-employment benefits other than pensions depends on future cost escalation. These post-employment benefits are not pre-funded and the amount of the obligation for these benefits is included in other liabilities and is supported by general assets.

The Company's subsidiaries have pension and benefit committees or a trusteed arrangement that provides oversight for the benefit plans. The benefit plans are monitored on an ongoing basis to assess the benefit, funding and investment policies, financial status, and funding requirements. Significant changes to a subsidiary company's benefit plans require approval from that company's Board of Directors.

The funding policies of the Company’s subsidiaries for the funded pension plans require annual contributions equal to or greater than those required by the applicable regulations and plan provisions that govern the funding of the plans. Where funded plans have a net defined benefit pension plan asset, the Company determines if an economic benefit exists in the form of potential reductions in future contributions by the Company, from the payment of expenses from the plan and in the form of surplus refunds, where permitted by applicable regulation and plan provisions.

By their design, the defined benefit plans expose the Company to the typical risks faced by defined benefit plans such as investment performance, changes to the discount rates used to value the obligations, longevity of plan members, and future inflation. Pension and benefit risk is managed by regular monitoring of the plans, applicable regulations and other factors that could impact the expenses and cash flows of the Company.

The following reflects the financial position of the contributory and non-contributory defined benefit plans of the Company's subsidiaries:

(a) Plan Assets, Benefit Obligation and Funded Status

	Defined benefit pension plans		Other post-employment benefits	
	2023	2022	**2023**	2022
Change in fair value of plan assets				
Fair value of plan assets, beginning of year	$ 6,291	$ 7,743	$ —	$ —
Interest income	306	193	—	—
Actual return over (less than) interest income	177	(1,420)	—	—
Employer contributions	35	109	18	18
Employee contributions	22	21	—	—
Benefits paid	(295)	(324)	(18)	(18)
Settlements	(27)	(10)	—	—
Administrative expenses	(9)	(8)	—	—
Net transfer in	1	—	—	—
Foreign exchange rate changes	16	(13)	—	—
Fair value of plan assets, end of year	$ 6,517	$ 6,291	$ —	$ —
Change in defined benefit obligation				
Defined benefit obligation, beginning of year	$ 5,825	$ 7,961	$ 256	$ 367
Current service cost	41	72	2	3
Interest cost	282	197	13	11
Employee contributions	22	21	—	—
Benefits paid	(295)	(324)	(18)	(18)
Plan amendments	—	—	(7)	—
Curtailments and termination benefits	—	(2)	—	—
Settlements	(30)	(10)	—	—
Actuarial loss (gain) on financial assumption changes	400	(2,074)	15	(60)
Actuarial loss (gain) on demographic assumption changes	(15)	(1)	(2)	(33)
Actuarial loss (gain) arising from member experience	31	8	(2)	(16)
Net transfer in	1	—	—	—
Foreign exchange rate changes	13	(23)	(1)	2
Defined benefit obligation, end of year	$ 6,275	$ 5,825	$ 256	$ 256
Asset (liability) recognized on the Consolidated Balance Sheets				
Funded status of plans - surplus (deficit)	$ 242	$ 466	$ (256)	$ (256)
Unrecognized amount due to asset ceiling	(202)	(310)	—	—
Asset (liability) recognized on the Consolidated Balance Sheets	$ 40	$ 156	$ (256)	$ (256)
Recorded in:				
Other assets (note 11)	$ 365	$ 463	$ —	$ —
Other liabilities (note 20)	(325)	(307)	(256)	(256)
Asset (liability) recognized on the Consolidated Balance Sheets	$ 40	$ 156	$ (256)	$ (256)
Analysis of defined benefit obligation				
Wholly or partly funded plans	$ 6,031	$ 5,586	$ —	$ —
Wholly unfunded plans	$ 244	$ 239	$ 256	$ 256

Under IFRIC 14, *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, the Company must assess whether each pension plan's asset has economic benefit to the Company through future contribution reductions, from the payment of expenses from the plan, or surplus refunds; in the event the Company is not entitled to a benefit, a limit or 'asset ceiling' is required on the balance. The following provides a breakdown of the changes in the asset ceiling:

	Defined benefit pension plans	
	2023	2022
Change in asset ceiling		
Asset ceiling, beginning of year	$ 310	$ 41
Interest on asset ceiling	14	1
Change in asset ceiling	(123)	251
Foreign exchange rate changes	1	17
Asset ceiling, end of year	$ 202	$ 310

(b) Pension and Other Post-Employment Benefits Expense

The total pension and other post-employment benefit expense included in operating expenses and other comprehensive income are as follows:

	All pension plans		Other post-employment benefits	
	2023	2022	**2023**	2022
Defined benefit current service cost	$ 63	$ 93	$ 2	$ 3
Defined contribution current service cost	248	184	—	—
Employee contributions	(22)	(21)	—	—
Employer current service cost	289	256	2	3
Administrative expense	9	8	—	—
Plan amendments	—	—	(7)	—
Curtailments	—	(2)	—	—
Settlements	(3)	—	—	—
Net interest cost	(10)	5	13	11
Expense - profit or loss	285	267	8	14
Actuarial (gain) loss recognized	416	(2,067)	11	(109)
Return on assets (greater) less than assumed	(177)	1,420	—	—
Change in the asset ceiling	(123)	251	—	—
Re-measurements - other comprehensive (income) loss	116	(396)	11	(109)
Total (income) expense including re-measurements	$ 401	$ (129)	$ 19	$ (95)

(c) Asset Allocation by Major Category Weighted by Plan Assets

	Defined benefit pension plans	
	2023	2022
Equity securities	35%	36%
Debt securities	55%	52%
Real estate	7%	8%
Cash and cash equivalents	3%	4%
Total	100%	100%

No plan assets are directly invested in the Company's or related parties' securities. Plan assets include investments in segregated funds and other funds managed by subsidiaries of the Company of $5,841 at December 31, 2023 and $5,614 at December 31, 2022, of which $5,827 ($5,520 at December 31, 2022) are included on the Consolidated Balance Sheets. Plan assets do not include any property occupied or other assets used by the Company.

(d) Details of Defined Benefit Obligation

(i) Portion of Defined Benefit Obligation Subject to Future Salary Increases

	Defined benefit pension plans		Other post-employment benefits	
	2023	2022	**2023**	2022
Benefit obligation without future salary increases	$ 5,815	$ 5,393	$ 256	$ 256
Effect of assumed future salary increases	460	432	—	—
Defined benefit obligation	$ 6,275	$ 5,825	$ 256	$ 256

The other post-employment benefits are not subject to future salary increases.

(ii) Portion of Defined Benefit Obligation Without Future Pension Increases

	Defined benefit pension plans		Other post-employment benefits	
	2023	2022	**2023**	2022
Benefit obligation without future pension increases	$ 5,546	$ 5,151	$ 256	$ 256
Effect of assumed future pension increases	729	674	—	—
Defined benefit obligation	$ 6,275	$ 5,825	$ 256	$ 256

The other post-employment benefits are not subject to future pension increases.

(iii) Maturity Profile of Plan Membership

	Defined benefit pension plans		Other post-employment benefits	
	2023	2022	**2023**	2022
Actives	36 %	37 %	13 %	14 %
Deferred vesteds	16 %	16 %	n/a	n/a
Retirees	48 %	47 %	87 %	86 %
Total	100 %	100 %	100 %	100 %
Weighted average duration of defined benefit obligation	14.4 years	14.5 years	9.6 years	9.9 years

(e) Cash Flow Information

	Pension plans	Other post-employment benefits	Total
Expected employer contributions for 2024:			
Funded (wholly or partly) defined benefit plans	$ (21)	$ —	$ (21)
Unfunded plans	20	19	39
Defined contribution plans	207	—	207
Total	$ 206	$ 19	$ 225

(f) Actuarial Assumptions and Sensitivities

(i) Actuarial Assumptions

	Defined benefit pension plans		Other post-employment benefits	
	2023	2022	**2023**	2022
To determine benefit cost:				
Discount rate - past service liabilities	5.0 %	2.6 %	5.3 %	3.1 %
Discount rate - future service liabilities	5.3 %	3.3 %	5.4 %	3.0 %
Rate of compensation increase	3.8 %	3.1 %	—	—
Future pension increases [1]	2.3 %	1.7 %	—	—
To determine defined benefit obligation:				
Discount rate - past service liabilities	4.4 %	5.0 %	4.7 %	5.3 %
Rate of compensation increase	3.4 %	3.8 %	—	—
Future pension increases [1]	2.1 %	2.3 %	—	—
Medical cost trend rates:				
Initial medical cost trend rate			4.7 %	4.8 %
Ultimate medical cost trend rate			4.1 %	4.1 %
Year ultimate trend rate is reached			2039	2039

[1] Represents the weighted average of plans subject to future pension increases.

(ii) Sample Life Expectancies Based on Mortality Assumptions

	Defined benefit pension plans		Other post-employment benefits	
	2023	2022	**2023**	2022
Sample life expectancies based on mortality assumption:				
Male				
Age 65 in fiscal year	22.8	22.8	22.7	22.8
Age 65 for those age 35 in the fiscal year	24.7	24.6	24.2	24.2
Female				
Age 65 in fiscal year	25.0	24.8	25.1	25.1
Age 65 for those age 35 in the fiscal year	26.8	26.7	26.4	26.5

The period of time over which benefits are assumed to be paid is based on best estimates of future mortality, including allowances for mortality improvements. This estimate is subject to considerable uncertainty, and judgment is required in establishing this assumption. As mortality assumptions are significant in measuring the defined benefit obligation, the mortality assumptions applied by the Company take into consideration such factors as age, gender and geographic location, in addition to an estimation of future improvements in longevity.

The mortality tables are reviewed at least annually, and assumptions are in accordance with accepted actuarial practice. Emerging plan experience is reviewed and considered in establishing the best estimate for future mortality.

The calculation of the defined benefit obligation is sensitive to the mortality assumptions. The effect of a one-year increase in life expectancy would be an increase in the defined benefit obligation of $174 for the defined benefit pension plans and $6 for other post-employment benefits.

(iii) Impact of Changes to Assumptions on Defined Benefit Obligation

	1% increase		1% decrease	
	2023	2022	**2023**	2022
Defined benefit pension plans:				
Impact of a change to the discount rate	$ (771)	$ (733)	$ 972	$ 926
Impact of a change to the rate of compensation increase	173	173	(157)	(156)
Impact of a change to the rate of inflation	346	340	(313)	(299)
Other post-employment benefits:				
Impact of a change to assumed medical cost trend rates	14	14	(12)	(12)
Impact of a change to the discount rate	(22)	(22)	26	25

To measure the impact of a change in an assumption, all other assumptions were held constant. It is expected that there would be interaction between at least some of the assumptions.

27. Accumulated Other Comprehensive Income

	2023								
	Unrealized foreign exchange gains (losses) on translation of foreign operations	**Unrealized gains (losses) on hedges of the net investment in foreign operations**	**Unrealized gains (losses) on bonds and mortgages at FVOCI**	**Unrealized gains (losses) on cash flow hedges**	**Re-measurements on defined benefit pension and other post-employment benefit plans**	**Revaluation surplus on transfer to investment properties**	**Total**	**Non-controlling interest**	**Shareholders**
Balance, beginning of year (restated)	$ 1,362	$ 86	$ (799)	$ —	$ (88)	$ 10	$ 571	$ 142	$ 713
Impact of initial application of IFRS 9	—	—	3	—	—	—	3	—	3
Revised balance, beginning of year	1,362	86	(796)	—	(88)	10	574	142	716
Other comprehensive income (loss)	(19)	(64)	529	39	(127)	—	358	(124)	234
Income tax	—	(6)	(116)	(11)	36	—	(97)	37	(60)
	(19)	(70)	413	28	(91)	—	261	(87)	174
Balance, end of year	$ 1,343	$ 16	$ (383)	$ 28	$ (179)	$ 10	$ 835	$ 55	$ 890

	2022 (Restated)								
	Unrealized foreign exchange gains (losses) on translation of foreign operations	Unrealized gains (losses) on hedges of the net investment in foreign operations	Unrealized gains (losses) on bonds and mortgages at FVOCI	Unrealized gains (losses) on cash flow hedges	Re-measurements on defined benefit pension and other post-employment benefit plans	Revaluation surplus on transfer to investment properties	Total	Non-controlling interest	Shareholders
Balance, beginning of year	$ 948	$ (30)	$ 145	$ 33	$ (463)	$ 10	$ 643	$ (11)	$ 632
Impact of initial application of IFRS 9 overlay (note 3)	(8)	—	(37)	—	—	—	(45)	—	(45)
Revised balance, beginning of year	940	(30)	108	33	(463)	10	598	(11)	587
Other comprehensive income (loss)	422	88	(1,122)	(45)	505	—	(152)	216	64
Income tax	—	28	215	12	(130)	—	125	(63)	62
	422	116	(907)	(33)	375	—	(27)	153	126
Balance, end of year	$ 1,362	$ 86	$ (799)	$ —	$ (88)	$ 10	$ 571	$ 142	$ 713

28. Related Party Transactions

Power Corporation, which is incorporated and domiciled in Canada, is the Company's parent and has voting control of the Company. The Company is related to other members of the Power Corporation group of companies including IGM, a company in the financial services sector along with its subsidiaries IG Wealth Management and Mackenzie Financial; and Groupe Bruxelles Lambert, a holding company based in Europe with substantial holdings in global industrial and services companies.

(a) Principal Subsidiaries

The consolidated financial statements of the Company include the operations of the following subsidiaries and their subsidiaries:

Company	Incorporated in	Primary business operation	% Held
The Canada Life Assurance Company	Canada	Insurance and wealth management	100.00%
Empower Annuity Insurance Company of America	United States	Financial services	100.00%
Putnam Investments, LLC	United States	Asset management	100.00% [1, 2]

[1] Subsequent to December 31, 2023, on January 1, 2024, Lifeco completed the sale of Putnam US Holdings I, LLC (excluding PanAgora Holdings Inc. and its subsidiary PanAgora Asset Management Inc.) to Franklin Resources Inc. (note 4). Putnam US Holdings I, LLC was a subsidiary of Putnam Investments, LLC.

[2] Lifeco holds 100% of the voting shares and 95.63% of the total outstanding shares.

(b) Transactions With Related Parties Included in the Consolidated Financial Statements

In the normal course of business, subsidiaries of Lifeco enter into various transactions with related companies which include providing insurance benefits and sub-advisory services to other companies within the Power Corporation group of companies. In all cases, transactions were at market terms and conditions.

During the year, Canada Life provided to and received from IGM and its subsidiaries, a member of the Power Corporation group of companies, certain administrative services. Canada Life also provided life insurance, annuity and disability insurance products under a distribution agreement with IGM. All transactions were provided at market terms and conditions.

The Company owns 9,200,448 shares, held through Canada Life, representing a 3.86% ownership interest in IGM. The Company uses the equity method to account for its investment in IGM as it exercises significant influence. In 2023, the Company recognized $33 for the equity method share of IGM net earnings and received dividends of $21 from its investment in IGM (note 6).

Segregated funds of the Company were invested in funds managed by IG Wealth Management and Mackenzie Investments. Mackenzie Investments also manages certain of the Company's portfolio investments. The Company also has interests in mutual funds, open-ended investment companies and unit trusts. Some of these funds are sub-advised by related parties of the Company, who are paid sub-advisory fees related to these services. During 2023, the Company and its subsidiaries made additional investments in funds managed by related parties. All transactions were provided at market terms and conditions (note 17).

On November 30, 2023, Canada Life acquired IPC from IGM for purchase consideration of $585. The transaction was reviewed and approved by the Conduct Review Committee of each of the Company and Canada Life (note 4).

The Company held debentures issued by IGM; the interest rates and maturity dates are as follows:

	2023	2022
3.44%, matures January 26, 2027	$ 19	$ 19
6.65%, matures December 13, 2027	14	14
7.45%, matures May 9, 2031	11	11
7.00%, matures December 31, 2032	11	11
4.56%, matures January 25, 2047	19	18
4.115%, matures December 9, 2047	9	8
4.174%, matures July 13, 2048	5	4
Total	$ 88	$ 85

Power Corporation also controls Sagard, a multi-strategy alternative asset manager, Power Sustainable, a global multi-platform alternative asset manager, and Portage Ventures (Portage), a global fintech venture capital investment strategy. Lifeco has a minority investment in Sagard. Lifeco and Mackenzie Financial Corporation, a wholly-owned subsidiary of IGM, are investors in Northleaf Capital Partners Ltd. (Northleaf), a global private equity, private credit and infrastructure fund manager. The Company and its subsidiaries invest in funds managed by Sagard, Power Sustainable, Portage and Northleaf.

The Company provides asset management, employee benefits and administrative services for employee benefit plans relating to pension and other post-employment benefits for employees of the Company and its subsidiaries. These transactions were provided at market terms and conditions.

There were no material loans or guarantees issued to or from related parties during 2023 or 2022. There were no significant outstanding loans or guarantees with related parties at December 31, 2023 or December 31, 2022. There were no provisions for uncollectible amounts with related parties at December 31, 2023 or December 31, 2022.

(c) Key Management Compensation

Key management personnel constitute those individuals that have the authority and responsibility for planning, directing and controlling the activities of Lifeco, directly or indirectly, including any Director. The individuals that comprise the key management personnel are the Board of Directors as well as certain key management and officers.

The following describes all compensation paid to, awarded to, or earned by each of the key management personnel for services rendered in all capacities to the Company and its subsidiaries:

	2023	2022
Salary	$ 21	$ 20
Share-based awards	21	19
Option-based awards	8	7
Annual non-equity incentive plan compensation	29	29
Other	2	—
Total	$ 81	$ 75

29. Income Taxes

(a) Components of the Income Tax Expense

(i) Income Tax Recognized in Consolidated Statements of Earnings

	2023	2022
Current income tax		
Total current income tax	$ 467	$ 494
Deferred income tax		
Origination and reversal of temporary differences	$ (422)	$ (115)
Effect of changes in tax rates or imposition of new taxes	—	(6)
Tax expense (recovery) arising from unrecognized tax losses, tax credits or temporary differences	8	21
Total deferred income tax	$ (414)	$ (100)
Total income tax expense	$ 53	$ 394

(ii) Income Tax Recognized in Other Comprehensive Income (note 27)

	2023	2022
Current income tax expense (recovery)	$ 43	$ (157)
Deferred income tax expense (recovery)	54	32
Total	$ 97	$ (125)

(iii) Income Tax Recognized in Consolidated Statements of Changes in Equity

	2023	2022
Current income tax (recovery)	$ —	$ (1)
Deferred income tax (recovery)	1	7
Total	$ 1	$ 6

(b) The Effective Income Tax Rate Reported in the Consolidated Statements of Earnings Varies From the Combined Canadian Federal and Provincial Income Tax Rate of 28.00% for the Following Items:

	2023		2022	
Earnings before income taxes	$ 3,068		$ 4,064	
Combined basic Canadian federal and provincial tax rate	859	28.00 %	1,118	27.50 %
Increase (decrease) in the income tax rate resulting from:				
Non-taxable investment income	(234)	(7.63)	(228)	(5.61)
Operations outside of Canada subject to a lower average foreign tax rate	(532)	(17.34)	(334)	(8.22)
Impact of rate changes on deferred income taxes	—	—	(6)	(0.15)
Other	(40)	(1.30)	(156)	(3.84)
Total income tax expense and effective income tax rate	$ 53	1.73 %	$ 394	9.68 %
Total income tax expense and effective income tax rate - common shareholders	$ 128	4.12 %	$ 487	11.47 %

(c) Composition and Changes in Net Deferred Income Tax Assets are as Follows:

	2023						
	Insurance and investment contract liabilities	**Portfolio investments**	**Losses carried forward**	**Intangible assets**	**Tax credits**	**Other**	**Total**
Balance, beginning of year	$ (3,064)	$ 2,249	$ 1,619	$ (786)	$ 290	$ 389	$ 697
Recognized in Consolidated Statements of Earnings	1,098	(712)	(58)	(33)	(53)	172	414
Recognized in Consolidated Statements of Comprehensive Income	—	(71)	—	—	—	17	(54)
Recognized in Consolidated Statements of Changes in Equity	—	—	—	—	—	(1)	(1)
Acquired in business combinations	—	—	4	(12)	1	(3)	(10)
Other and foreign exchange rate changes	(761)	971	(20)	48	(1)	(222)	15
Balance, end of year	$ (2,727)	$ 2,437	$ 1,545	$ (783)	$ 237	$ 352	$ 1,061

	2022						
	Insurance and investment contract liabilities	Portfolio investments	Losses carried forward	Intangible assets	Tax credits	Other	Total
Balance, beginning of year	$ 752	$ (1,289)	$ 1,388	$ (807)	$ 324	$ 282	$ 650
Recognized in Consolidated Statements of Earnings	(3,658)	3,469	144	(58)	(46)	170	21
Recognized in Consolidated Statements of Comprehensive Income	—	87	—	—	—	(119)	(32)
Recognized in Consolidated Statements of Changes in Equity	—	—	(5)	—	—	(2)	(7)
Acquired in business combinations	(90)	(4)	—	139	—	34	79
Other and foreign exchange rate changes	(68)	(14)	92	(60)	12	24	(14)
Balance, end of year	$ (3,064)	$ 2,249	$ 1,619	$ (786)	$ 290	$ 389	$ 697

Recorded on Consolidated Balance Sheets:	**2023**	2022
Deferred tax assets	$ 1,848	$ 1,470
Deferred tax liabilities	(787)	(773)
Total	$ 1,061	$ 697

A deferred income tax asset is recognized for deductible temporary differences and unused losses and carryforwards only to the extent that realization of the related income tax benefit through future taxable profits is probable.

Recognition is based on the fact that it is probable that the entity will have taxable profits and/or tax planning opportunities available to allow the deferred income tax asset to be utilized. Changes in circumstances in future periods may adversely impact the assessment of the recoverability. The uncertainty of the recoverability is taken into account in establishing the deferred income tax assets. The Company's annual financial planning process provides a significant basis for the measurement of deferred income tax assets.

Management assesses the recoverability of the deferred income tax assets carrying values based on future years' taxable income projections and believes the carrying values of the deferred income tax assets as of December 31, 2023 are recoverable.

At December 31, 2023, the Company has recognized a deferred tax asset of $1,545 ($1,619 at December 31, 2022) on tax loss carryforwards totaling $7,021, of which $4,522 expire between 2026 and 2043 while $2,499 have no expiry date. The Company will realize this benefit in future years through a reduction in current income taxes payable.

One U.S. subsidiary has had a history of losses. The subsidiary has a net deferred income tax asset balance of $499 (U.S. $376) as at December 31, 2023, comprised principally of net operating losses. Management has concluded that it is probable that the subsidiary and other historically profitable subsidiaries with which it files or intends to file a consolidated U.S. income tax return will generate sufficient taxable income to utilize the unused U.S. losses and deductions.

The Company has not recognized a deferred tax asset of $154 ($109 in 2022) on tax loss carryforwards totaling $592 ($550 in 2022). Of this amount, $192 expire between 2024 and 2043 while $400 have no expiry date. In addition, the Company has not recognized a deferred tax asset of $11 ($11 in 2022) on other temporary differences of $54 ($55 in 2022) associated with investments in subsidiaries, branches, and associates.

A deferred income tax liability has not been recognized in respect of the temporary differences associated with investments in subsidiaries, branches and associates as the Company 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.

In December 2021, the OECD published the Pillar Two model rules outlining a structure for a new 15% global minimum tax regime. A number of countries where the Company operates, including Ireland, Germany and the U.K., have enacted legislation, and will be effective for the Company's financial year beginning January 1, 2024. Pillar Two draft legislation in Canada and Barbados has not been substantively enacted but when enacted, is expected to be effective for the Company as of January 1, 2024.

The global minimum tax is very complex in nature and will apply to Lifeco as part of a larger related group of companies. The determination of the minimum tax impact will require significant interpretation of each country's new legislation to determine the ultimate tax liability for the group of companies as a whole, which will then be allocated to individual companies within the group, such as Lifeco. The Company has performed a preliminary assessment of the Company's potential exposure to Pillar Two income taxes for the year ending on December 31, 2024 and has identified potential exposure in Barbados, Ireland and Isle of Man, jurisdictions where the statutory tax rate is below 15%. Based on this preliminary assessment, the Company expects an increase in the effective income tax rate, however, it is not expected to have a material impact on the Company's financial statements.

30. Derivative Financial Instruments and Hedging

In the normal course of managing exposure to fluctuations in interest and foreign exchange rates, and to market risks, the Company is an end-user of various derivative financial instruments. It is the Company's policy to transact in derivatives only with the most creditworthy financial intermediaries. Note 7 discloses the credit quality of the Company's exposure to counterparties. Credit risk equivalent amounts are presented net of eligible collateral received of $842 as at December 31, 2023 ($378 at December 31, 2022).

(a) The Following Summarizes the Company's Derivative Portfolio and Related Credit Exposure Using the Following Definitions of Risk as Prescribed by OSFI:

Maximum credit risk	The total replacement cost of all derivative contracts with positive values.
Future credit exposure	The potential future credit exposure is calculated based on a formula prescribed by OSFI. The factors prescribed by OSFI for this calculation are based on derivative type and duration.
Credit risk equivalent	The sum of maximum credit risk and the potential future credit exposure less any eligible collateral held.
Risk weighted equivalent	Represents the credit risk equivalent, weighted according to the creditworthiness of the counterparty, as prescribed by OSFI.

	2023					2022				
	Notional amount	**Maximum credit risk**	**Future credit exposure**	**Credit risk equivalent**	**Risk weighted equivalent**	Notional amount	Maximum credit risk	Future credit exposure	Credit risk equivalent	Risk weighted equivalent
Interest rate contracts										
Swaps	$ 6,732	$ 153	$ 73	$ 156	$ 3	$ 6,267	$ 99	$ 72	$ 130	$ 2
Futures - long	—	—	—	—	—	6	—	—	—	—
Futures - short	153	—	—	—	—	169	—	—	—	—
Options purchased	1,995	15	19	26	—	1	—	—	—	—
	8,880	168	92	182	3	6,443	99	72	130	2
Foreign exchange contracts										
Cross-currency swaps	33,150	1,771	2,080	3,213	56	30,522	2,108	1,890	3,687	63
Forward contracts	6,484	73	82	126	1	5,828	35	77	97	1
	39,634	1,844	2,162	3,339	57	36,350	2,143	1,967	3,784	64
Other derivative contracts										
Equity contracts	2,089	206	155	294	1	1,750	55	109	164	1
Futures - long	14	—	—	—	—	12	—	—	—	—
Futures - short	627	1	—	—	—	1,134	13	—	—	—
Other forward contracts	—	—	—	—	—	271	4	—	—	—
Equity options-purchased	—	—	—	—	—	1	—	—	—	—
Equity options-written	—	—	—	—	—	3	—	—	—	—
Credit default swaps	665	—	—	—	—	675	—	—	—	—
	3,395	207	155	294	1	3,846	72	109	164	1
Total	$ 51,909	$ 2,219	$ 2,409	$ 3,815	$ 61	$ 46,639	$ 2,314	$ 2,148	$ 4,078	$ 67

(b) The Following Provides the Notional Amount, Term to Maturity and Carrying Value of the Company's Derivative Portfolio by Category:

	2023					
	Notional amount				Carrying value	
	1 year or less	1-5 years	Over 5 years	Total	Assets	Liabilities
Derivatives not designated as accounting hedges						
Interest rate contracts						
Swaps	$ 597	$ 1,869	$ 4,248	$ 6,714	$ 152	$ (338)
Futures - long	—	—	—	—	—	—
Futures - short	153	—	—	153	—	—
Options purchased	200	798	997	1,995	15	—
	950	2,667	5,245	8,862	167	(338)
Foreign exchange contracts						
Cross-currency swaps	2,531	9,552	18,704	30,787	1,651	(856)
Forward contracts	3,930	—	—	3,930	45	(14)
	6,461	9,552	18,704	34,717	1,696	(870)
Other derivative contracts						
Equity contracts	504	1,256	—	1,760	100	(1)
Futures - long	14	—	—	14	—	—
Futures - short	627	—	—	627	1	(4)
Other forward contracts	—	—	—	—	—	—
Equity options - purchased	—	—	—	—	—	—
Equity options - written	—	—	—	—	—	—
Credit default swaps	326	166	173	665	—	—
	1,471	1,422	173	3,066	101	(5)
Derivatives designated as accounting hedges						
Fair value hedges						
Foreign currency risk						
Foreign exchange contracts						
Forward contracts	80	—	—	80	1	—
	80	—	—	80	1	—
Cash flow hedges						
Interest rate risk						
Interest rate contracts						
Swaps	—	18	—	18	1	—
Foreign currency risk						
Foreign exchange contracts						
Cross-currency swaps	18	75	—	93	2	—
Equity risk						
Other derivative contracts						
Equity contracts	93	236	—	329	106	—
	111	329	—	440	109	—
Net investment hedges						
Foreign currency risk						
Foreign exchange contracts						
Cross-currency swaps	—	—	2,270	2,270	118	(61)
Forward contracts	1,967	507	—	2,474	27	(14)
	1,967	507	2,270	4,744	145	(75)
Total	$ 11,040	$ 14,477	$ 26,392	$ 51,909	$ 2,219	$ (1,288)

	2022					
	Notional amount				Carrying value	
	1 year or less	1-5 years	Over 5 years	Total	Assets	Liabilities
Derivatives not designated as accounting hedges						
Interest rate contracts						
Swaps	$ 581	$ 1,341	$ 4,320	$ 6,242	$ 97	$ (455)
Futures - long	6	—	—	6	—	—
Futures - short	169	—	—	169	—	—
Options purchased	1	—	—	1	—	—
	757	1,341	4,320	6,418	97	(455)
Foreign exchange contracts						
Cross-currency swaps	3,215	7,521	17,416	28,152	1,922	(979)
Forward contracts	3,262	—	—	3,262	14	(80)
	6,477	7,521	17,416	31,414	1,936	(1,059)
Other derivative contracts						
Equity contracts	1,482	—	—	1,482	20	(14)
Futures - long	12	—	—	12	—	—
Futures - short	1,134	—	—	1,134	13	—
Other forward contracts	271	—	—	271	3	—
Equity options - purchased	1	—	—	1	—	—
Equity options - written	3	—	—	3	—	—
Credit default swaps	—	500	175	675	—	—
	2,903	500	175	3,578	36	(14)
Derivatives designated as accounting hedges						
Fair value hedges						
Foreign currency risk						
Foreign exchange contracts						
Forward contracts	83	—	—	83	—	(3)
	83	—	—	83	—	(3)
Cash flow hedges						
Interest rate risk						
Interest rate contracts						
Swaps	—	—	25	25	3	—
Foreign currency risk						
Foreign exchange contracts						
Cross-currency swaps	—	100	—	100	6	—
Equity risk						
Other derivative contracts						
Equity contracts	58	210	—	268	35	(13)
	58	310	25	393	44	(13)
Net investment hedges						
Foreign currency risk						
Foreign exchange contracts						
Cross-currency swaps	—	—	2,270	2,270	179	(45)
Forward contracts	2,027	456	—	2,483	22	(50)
	2,027	456	2,270	4,753	201	(95)
Total	$ 12,305	$ 10,128	$ 24,206	$ 46,639	$ 2,314	$ (1,639)

Futures contracts included in the above are exchange traded contracts; all other contracts are over-the-counter.

(c) The Following Provides Further Details on the Derivatives Designated as Accounting Hedges:

Exchange rates and share prices expressed in dollar terms	2023			
	Notional amount			
	1 year or less	1-5 years	Over 5 years	Total
Fair value hedges				
Foreign currency risk				
Foreign exchange contracts				
Forward contracts	$ 80	$ —	$ —	$ 80
Weighted average USD-CAD exchange rate	1.34	—	—	1.34
Cash flow hedges				
Interest rate risk				
Interest rate contracts				
Swaps	$ —	$ 18	$ —	$ 18
Weighted average fixed interest rate	— %	5.23 %	— %	5.23 %
Foreign currency risk				
Foreign exchange contracts				
Cross-currency swaps	$ 18	$ 75	$ —	$ 93
Weighted average USD-AUD exchange rate	—	1.33	—	1.33
Weighted average USD-CAD exchange rate	—	1.26	—	1.26
Weighted average USD-EUR exchange rate	0.92	0.91	—	0.91
Weighted average USD-GBP exchange rate	0.76	0.76	—	0.76
Equity risk				
Other derivative contracts				
Equity contracts	$ 93	$ 236	$ —	$ 329
Weighted average share price	32.10	37.69	—	35.82
Net investment hedges				
Foreign currency risk				
Foreign exchange contracts				
Cross-currency swaps	$ —	$ —	$ 2,270	$ 2,270
Weighted average EUR-CAD exchange rate	—	—	1.41	1.41
Weighted average GBP-CAD exchange rate	—	—	1.73	1.73
Forward contracts	$ 1,967	$ 507	$ —	$ 2,474
Weighted average USD-CAD exchange rate	1.34	—	—	1.34
Weighted average EUR-GBP exchange rate	0.86	0.86	—	0.86

Exchange rates and share prices expressed in dollar terms	2022			
	Notional amount			
	1 year or less	1-5 years	Over 5 years	Total
Fair value hedges				
Foreign currency risk				
Foreign exchange contracts				
Foreign exchange forward contracts	$ **83**	$ **—**	$ **—**	$ **83**
Weighted average USD-CAD exchange rate	1.31	—	—	1.31
Cash flow hedges				
Interest rate risk				
Interest rate contracts				
Swaps	$ **—**	$ **—**	$ **25**	$ **25**
Weighted average fixed interest rate	— %	— %	5.17 %	5.17 %
Foreign currency risk				
Foreign exchange contracts				
Cross-currency swaps	$ **—**	$ **100**	$ **—**	$ **100**
Weighted average USD-AUD exchange rate	—	1.33	—	1.33
Weighted average USD-CAD exchange rate	—	1.25	—	1.25
Weighted average USD-EUR exchange rate	—	0.91	—	0.91
Weighted average USD-GBP exchange rate	—	0.76	—	0.76
Equity risk				
Other derivative contracts				
Equity contracts	$ **58**	$ **210**	$ **—**	$ **268**
Weighted average share price	25.04	35.38	—	32.38
Net investment hedges				
Foreign currency risk				
Foreign exchange contracts				
Cross-currency swaps	$ **—**	$ **—**	$ **2,270**	$ **2,270**
Weighted average EUR-CAD exchange rate	—	—	1.41	1.41
Weighted average GBP-CAD exchange rate	—	—	1.73	1.73
Forward contracts	$ **2,027**	$ **456**	$ **—**	$ **2,483**
Weighted average USD-CAD exchange rate	1.33	—	—	1.33
Weighted average EUR-GBP exchange rate	0.88	0.88	—	0.88

(d) The Following Provides Details of the Company's Derivative Portfolio by Type of Instrument:

Interest Rate Contracts

Interest rate swaps, futures and options are used as part of a portfolio of assets to manage interest rate risk associated with investment activities and insurance and investment contract liabilities. Interest-rate swap agreements require the periodic exchange of payments without the exchange of the notional principal amount on which payments are based. Call options grant the Company the right to enter into a swap with predetermined fixed-rate payments over a predetermined time period on the exercise date. Call options are used to manage the variability in future interest payments due to a change in credited interest rates and the related potential change in cash flows due to surrenders. Call options are also used to hedge minimum rate guarantees.

Foreign Exchange Contracts

Cross-currency swaps are used in combination with other investments to manage foreign currency risk associated with investment activities, and insurance and investment contract liabilities. Cross-currency swaps are also used to hedge the Company's net investment in foreign operations. Under these swaps principal amounts and fixed or floating interest payments may be exchanged in different currencies. The Company also enters into certain foreign exchange forward contracts to hedge certain product liabilities.

Other Derivative Contracts

Equity index swaps, futures and options are used to hedge certain product liabilities. Equity index swaps are also used as substitutes for cash instruments and are used to periodically hedge the market risk associated with certain fee income. Equity put options are used to manage potential credit risk impact of significant declines in certain equity markets.

Equity total return swaps are used to manage exposure to fluctuations in the total return of common shares related to deferred compensation arrangements. Total return swaps require the exchange of net contractual payments periodically or at maturity without the exchange of the notional principal amounts on which the payments are based. These instruments are designated as cash flow hedges.

(e) Hedge Accounting

Fair Value Hedges

The ineffective portion of fair value hedges recognized in the net investment result, which includes foreign exchange contracts, was nil during 2023 and 2022.

Cash Flow Hedges

The ineffective portion of the cash flow hedges, which includes interest rate contracts, foreign exchange contracts, and equity total return swap contracts, was nil during 2023 and 2022, and the anticipated net gains (losses) expected to be reclassified out of accumulated other comprehensive income within the next twelve months is nil. The maximum time frame for which variable cash flows are hedged is 5 years.

Net Investment Hedges

The effects of the Company's net investment hedges on the Consolidated Statements of Earnings and Consolidated Statements of Comprehensive Income are shown in the following table.

	2023				
	Change in fair value of hedged items for ineffectiveness measurement	**Change in fair value of hedging instruments for ineffectiveness measurement**	**Gains (losses) deferred in AOCI**	**Gains (losses) reclassified from AOCI into total investment result**	**Ineffectiveness recognized in total investment result**
Euro denominated debt	$ 10	$ (10)	$ (10)	$ —	$ —
Cross-currency swaps	35	(35)	(35)	—	—
Foreign exchange forward contracts	(17)	17	17	—	—
Total	$ 28	$ (28)	$ (28)	$ —	$ —

	2022				
	Change in fair value of hedged items for ineffectiveness measurement	Change in fair value of hedging instruments for ineffectiveness measurement	Gains (losses) deferred in AOCI	Gains (losses) reclassified from AOCI into total investment result	Ineffectiveness recognized in total investment result
Euro denominated debt	$ 10	$ (10)	$ (10)	$ —	$ —
Cross-currency swaps	(25)	25	25	—	—
Foreign exchange forward contracts	122	(122)	(122)	—	—
Total	$ 107	$ (107)	$ (107)	$ —	$ —

31. Legal Provisions and Contingent Liabilities

The Company and its subsidiaries are from time-to-time subject to legal actions, including arbitrations and class actions. Provisions are established if, in management's judgment, it is probable a payment will be required and the amount of the payment can be reliably estimated. 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 Company. 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 Company. Actual results could differ from management's best estimates.

Subsidiaries of the Company in the United States are defendants in legal actions, including class actions, relating to the costs and features of their retirement and fund products and the conduct of their businesses. Management believes the claims are without merit and will be vigorously defending these actions. Based on the information presently known these actions will not have a material adverse effect on the consolidated financial position of the Company.

32. Commitments

(a) Letters of Credit

Letters of credit are written commitments provided by a bank. The total amount of letter of credit facilities is U.S. $1,920 of which U.S.$1,111 were issued as of December 31, 2023.

The Capital and Risk Solutions segment periodically uses letters of credit as collateral under certain reinsurance contracts for on balance sheet policy liabilities.

(b) Investment Commitments

Commitments of investment transactions made in the normal course of operations in accordance with policies and guidelines that are to be disbursed upon fulfillment of certain contract conditions were $6,411 as at December 31, 2023, with $6,327 maturing within one year, $61 maturing within two years, $15 maturing within three years, $1 maturing within four years and $7 maturing within over 5 years.

(c) Pledged Assets

In addition to the assets pledged by the Company disclosed elsewhere in the consolidated financial statements:

- The amount of assets included in the Company's balance sheet which have a security interest by way of pledging is $1,462 ($1,467 at December 31, 2022) in respect of reinsurance agreements.
    - In addition, under certain reinsurance contracts, bonds presented in portfolio investments are held in trust and escrow accounts. Assets are placed in these accounts pursuant to the requirements of certain legal and contractual obligations to support contract liabilities assumed.
- The Company has pledged, in the normal course of business, $72 ($74 at December 31, 2022) of assets of the Company for the purpose of providing collateral for the counterparty.

33. Segmented Information

The operating segments of the Company are Canada, United States, Europe, Capital and Risk Solutions and Lifeco Corporate. These segments reflect the Company's management structure and internal financial reporting. Each of these segments operates in the financial services industry and the revenues from these segments are derived principally from interests in life insurance, health insurance, retirement and investment services, asset management and reinsurance businesses.

Transactions between operating segments occur at market terms and conditions and have been eliminated upon consolidation.

The Company has a capital allocation model to measure the performance of the operating segments. The impact of the capital allocation model is included in the segmented information presented below.

(a) Consolidated Net Earnings

	2023					
	Canada	United States	Europe	Capital and Risk Solutions	Lifeco Corporate	Total
Segment revenue						
Insurance revenue [1]	$ 9,378	$ 240	$ 6,068	$ 4,716	$ —	$ 20,402
Net investment income [2]	3,163	4,053	1,423	198	27	8,864
Changes in fair value on FVTPL assets [2]	3,245	2,296	891	74	(17)	6,489
	15,786	6,589	8,382	4,988	10	35,755
Fee and other income [3]	1,377	3,706	777	14	—	5,874
	17,163	10,295	9,159	5,002	10	41,629
Other insurance results						
Insurance service expenses	(6,496)	(178)	(5,162)	(3,941)	—	(15,777)
Net income (expenses) from reinsurance contracts	(1,399)	8	(143)	(10)	—	(1,544)
	(7,895)	(170)	(5,305)	(3,951)	—	(17,321)
Other investment results						
Net finance income (expenses) from insurance contracts	(6,271)	(334)	(2,542)	(91)	—	(9,238)
Net finance income (expenses) from reinsurance contracts	19	(24)	222	7	—	224
Changes in investment contract liabilities	(130)	(4,627)	(3)	(46)	—	(4,806)
	(6,382)	(4,985)	(2,323)	(130)	—	(13,820)
Net investment result - insurance contracts on account of segregated fund policyholders						
Net investment income (loss)	3,366	—	1,442	—	—	4,808
Net finance income (expenses) from insurance contracts	(3,366)	—	(1,442)	—	—	(4,808)
	—	—	—	—	—	—
Other income and expenses						
Operating and administrative expenses	(1,465)	(3,758)	(1,063)	(50)	(66)	(6,402)
Amortization of finite life intangible assets	(102)	(204)	(57)	(1)	(2)	(366)
Financing costs	(134)	(239)	(45)	(5)	(3)	(426)
Restructuring and integration expenses	—	(100)	(126)	—	—	(226)
Earnings (loss) before income taxes	1,185	839	240	865	(61)	3,068
Income taxes	188	72	(207)	6	(6)	53
Net earnings (loss) from continuing operations before non-controlling interests	997	767	447	859	(55)	3,015
Attributable to non-controlling interests	17	6	—	—	—	23
Net earnings (loss) from continuing operations before preferred share dividends	980	761	447	859	(55)	2,992
Preferred share dividends	112	—	18	—	—	130
Net earnings (loss) from continuing operations before capital allocation	868	761	429	859	(55)	2,862
Impact of capital allocation	93	8	(45)	(26)	(30)	—
Net earnings (loss) from continuing operations	961	769	384	833	(85)	2,862
Net loss from discontinued operations	—	(124)	—	—	—	(124)
Net earnings (loss) - common shareholders	$ 961	$ 645	$ 384	$ 833	$ (85)	$ 2,738

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.

	2022					
	Canada	United States	Europe	Capital and Risk Solutions	Lifeco Corporate	Total
Segment revenue						
Insurance revenue [1]	$ 9,434	$ 226	$ 5,429	$ 4,543	$ —	$ 19,632
Net investment income [2]	2,837	3,030	1,536	128	63	7,594
Changes in fair value on FVTPL assets [2]	(10,718)	(11,003)	(8,739)	(534)	(6)	(31,000)
	1,553	(7,747)	(1,774)	4,137	57	(3,774)
Fee and other income [3]	1,212	3,225	714	7	—	5,158
	2,765	(4,522)	(1,060)	4,144	57	1,384
Other insurance results						
Insurance service expenses	(6,607)	(186)	(4,630)	(3,849)	—	(15,272)
Net income (expenses) from reinsurance contracts	(1,419)	14	(113)	(13)	—	(1,531)
	(8,026)	(172)	(4,743)	(3,862)	—	(16,803)
Other investment results						
Net finance income (expenses) from insurance contracts	8,278	843	9,337	351	—	18,809
Net finance income (expenses) from reinsurance contracts	(102)	(14)	(1,106)	(29)	—	(1,251)
Changes in investment contract liabilities	66	8,240	9	139	—	8,454
	8,242	9,069	8,240	461	—	26,012
Net investment result - insurance contracts on account of segregated fund policyholders						
Net investment income (loss)	(2,519)	—	(1,611)	—	—	(4,130)
Net finance income (expenses) from insurance contracts	2,519	—	1,611	—	—	4,130
	—	—	—	—	—	—
Other income and expenses						
Operating and administrative expenses	(1,223)	(3,362)	(932)	(62)	(25)	(5,604)
Amortization of finite life intangible assets	(116)	(182)	(56)	—	—	(354)
Financing costs	(133)	(228)	(22)	(4)	(6)	(393)
Restructuring and integration expenses	—	(178)	—	—	—	(178)
Earnings (loss) before income taxes	1,509	425	1,427	677	26	4,064
Income taxes	145	(27)	160	109	7	394
Net earnings (loss) from continuing operations before non-controlling interests	1,364	452	1,267	568	19	3,670
Attributable to non-controlling interests	(86)	(4)	2	—	—	(88)
Net earnings (loss) from continuing operations before preferred share dividends	1,450	456	1,265	568	19	3,758
Preferred share dividends	112	—	18	—	—	130
Net earnings (loss) from continuing operations before capital allocation	1,338	456	1,247	568	19	3,628
Impact of capital allocation	93	8	(45)	(26)	(30)	—
Net earnings (loss) from continuing operations	1,431	464	1,202	542	(11)	3,628
Net loss from discontinued operations	—	(32)	—	—	—	(32)
Net earnings (loss) - common shareholders	$ 1,431	$ 432	$ 1,202	$ 542	$ (11)	$ 3,596

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.

The Revenue by Source Currency for Capital and Risk Solutions

	2023	2022
Revenue		
United States	$ 1,462	$ 962
United Kingdom	2,052	1,712
Japan	87	(365)
Other	1,401	1,835
Total revenue	$ 5,002	$ 4,144

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

	2023				
	Canada	**United States**	**Europe**	**Capital and Risk Solutions**	**Total**
Assets					
Invested assets	$ 89,382	$ 86,715	$ 41,981	$ 8,732	$ 226,810
Insurance contract assets	400	291	331	171	1,193
Reinsurance contract held assets	1,243	12,243	3,713	133	17,332
Assets held for sale	—	4,467	—	—	4,467
Goodwill and intangible assets	6,545	6,151	3,037	—	15,733
Other assets	4,964	16,192	3,531	52	24,739
Investments on account of segregated fund policyholders	101,250	179,770	141,936	—	422,956
Total	$ 203,784	$ 305,829	$ 194,529	$ 9,088	$ 713,230
Liabilities					
Insurance contract liabilities	$ 81,455	$ 18,079	$ 39,390	$ 5,464	$ 144,388
Investment contract liabilities	3,931	83,966	341	681	88,919
Reinsurance contract held liabilities	208	163	250	27	648
Liabilities held for sale	—	2,407	—	—	2,407
Other liabilities	7,153	12,804	3,408	696	24,061
Insurance contracts on account of segregated fund policyholders	32,997	12,892	14,413	—	60,302
Investment contracts on account of segregated fund policyholders	68,253	166,878	127,523	—	362,654
Total	$ 193,997	$ 297,189	$ 185,325	$ 6,868	$ 683,379

	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

The Assets by Source Currency for Capital and Risk Solutions

	2023	2022
Assets		
United States	$ 4,334	$ 4,070
United Kingdom	1,350	1,317
Japan	3,047	3,279
Other	357	309
Total assets	$ 9,088	$ 8,975

(c) CSM

	2023							
	Non-Participating (excluding Segregated Funds)							
	Canada	**United States**	**Europe**	**Capital and Risk Solutions**	**Total**	**Segregated Funds**	**Par**	**Total [1]**
CSM, beginning of year	$ 1,264	$ 41	$ 2,771	$ 1,796	$ 5,872	$ 3,557	$ 3,694	$ 13,123
CSM recognized for services provided	(143)	(4)	(234)	(154)	(535)	(430)	(157)	(1,122)
Contracts initially recognized in the year	41	—	284	49	374	181	111	666
Changes in estimates that adjust the CSM [2]	(40)	(12)	325	—	273	(37)	(490)	(254)
Net finance (income) expenses from insurance contracts	37	—	49	37	123	16	—	139
Effect of movement in exchange rates	—	(1)	60	17	76	11	(4)	83
CSM, end of year	$ 1,159	$ 24	$ 3,255	$ 1,745	$ 6,183	$ 3,298	$ 3,154	$ 12,635

1 The amounts in the table above are presented net of reinsurance.

2 Included in the changes in estimates that adjust the CSM is a $73 reclassification of CSM between segregated funds and non-participating products excluding segregated funds. There is no change in overall CSM from this reclassification.

	2022							
	Non-Participating (excluding Segregated Funds)							
	Canada	United States	Europe	Capital and Risk Solutions	Total	Segregated Funds	Par	Total [1]
CSM, beginning of year	$ 1,679	$ 25	$ 2,524	$ 1,691	$ 5,919	$ 3,432	$ 2,629	$ 11,980
CSM recognized for services provided	(166)	(4)	(194)	(152)	(516)	(419)	(139)	(1,074)
Contracts initially recognized in the year [2]	44	—	224	100	368	537	102	1,007
Changes in estimates that adjust the CSM	(328)	13	238	133	56	(24)	1,081	1,113
Net finance (income) expenses from insurance contracts	35	(1)	26	29	89	—	—	89
Effect of movement in exchange rates	—	8	(47)	(5)	(44)	31	21	8
CSM, end of year	$ 1,264	$ 41	$ 2,771	$ 1,796	$ 5,872	$ 3,557	$ 3,694	$ 13,123

1 The amounts in the table above are presented net of reinsurance.

2 On April 1, 2022, the Company completed the acquisition of the full-service retirement services business of Prudential Financial, Inc. The acquisition included $294 of CSM which has been included in the contracts initially recognized in the year category.

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Independent Auditor's Report

To the Shareholders of Great-West Lifeco Inc.

Opinion

We have audited the consolidated financial statements of Great-West Lifeco Inc. (the "Company"), which comprise the consolidated balance sheets as at December 31, 2023 and 2022 and January 1, 2022, and the consolidated statements of earnings, comprehensive income, changes in equity and cash flows for the years ended December 31, 2023 and 2022, and notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022 and January 1, 2022, and its financial performance and its cash flows for the years ended December 31, 2023 and 2022 in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Insurance Contract Liabilities - Refer to Notes 2 and 14 to the Financial Statements

Key Audit Matter Description

The Company's insurance contract liabilities represent a significant portion of its total liabilities. Insurance contract liabilities are determined in accordance with IFRS 17, Insurance Contracts ("IFRS 17"). This requires the use of complex valuation models and assumptions to measure groups of contracts as the total of fulfillment cash flows, plus a risk adjustment for non-financial risk and a contractual service margin ("CSM"). The CSM component is only relevant for groups of insurance contracts measured using the general measurement model and the variable fee approach.

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While there is considerable judgment applied by management and inherent uncertainty in selecting assumptions, the assumptions with the greatest estimation uncertainty are related to mortality, policyholder behaviour and discount rates. These assumptions required significant auditor attention in specific circumstances where (i) there is limited Company and industry experience data, (ii) the historical experience may not be a good indicator of the future and (iii) the determination of discount rates requires complex calculation and measurement of unobservable market inputs. Auditing of certain valuation models and significant assumptions (mortality, policyholder behaviour and discount rate) required a high degree of auditor judgment and an increased extent of audit effort, including the need to involve actuarial and fair value specialists.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to certain valuation models and significant assumptions included the following, among others:

- With the assistance of actuarial and fair value specialists, tested the appropriateness of certain valuation models used in the valuation process by:
    - Calculating an independent estimate of the insurance contract liability for a sample of insurance policies and comparing the results to the Company's estimate;
    - Testing the accuracy of certain valuation models for changes in key assumptions.
- With the assistance of actuarial specialists, tested the reasonableness of mortality and policyholder behaviour assumptions by:
    - Evaluating whether management's assumptions were determined in accordance with the requirements of IFRS 17;
    - Testing experience studies and other inputs used in the determination of the assumptions;
    - Analyzing management's interpretation and judgment of its experience study results and emerging claims experience, evaluating new and revised key assumptions, assessing reasonable possible alternative assumptions, and considering industry and other external sources of benchmarking, where applicable.
- With the assistance of actuarial and fair value specialists, evaluated the reasonableness of the discount rates used by:
    - Evaluating whether management's assumptions and methodologies were determined in accordance with the requirements of IFRS 17;
    - Testing the inputs and source information underlying the determination of the discount rates and developing a range of independent estimates and comparing those to the discount rates selected by management.

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Adoption of New and Amended Accounting Standards – IFRS 17 - Refer to Note 3 to the Financial Statements

Key Audit Matter Description

The Company adopted IFRS 17 effective January 1, 2023. The adoption of IFRS 17 was done on a retrospective basis which had an impact on the Company's January 1, 2022 opening equity balances. IFRS 17 is a complex accounting standard requiring considerable judgment and interpretation in its implementation, and impacts how the Company recognizes, measures, presents and discloses insurance contracts. In adopting the new standard, the Company used significant judgment in developing and implementing accounting policies, including policies specific to transition. Of particular importance, the Company elected to use the fair value approach for groups of contracts where full retrospective application was impracticable. Under the fair value approach, the CSM at transition is equal to the fair value of a group of insurance contracts less the fulfillment cash flows measured at that date.

There are many components embedded in the determination of the fair value for groups of insurance contracts that required management to use significant judgment in making estimates and assumptions related to (1) the appropriateness of the fair value methodology and calculations, (2) the appropriateness of the fair value adjustments to fulfilment cash flows and (3) the appropriateness of the discount rates. Auditing of the development and implementation of IFRS 17 accounting policies and the judgments, assumptions and estimates used in fair value determination for groups of contracts required a high degree of auditor judgment and an increased extent of audit effort, including the need to involve fair value, technical accounting and actuarial specialists.

How the Key Audit Matter Was Addressed in the Audit

With the assistance of various specialists, our audit procedures related to the development and implementation of IFRS 17 accounting policies and judgments, assumptions and estimates used in the fair value determination for groups of insurance contracts as at January 1, 2022 included the following, among others:

- Evaluated the appropriateness of management's accounting policies and tested that they were appropriately implemented.

- Evaluated the fair value approach methodology and related fair value adjustments against the requirements of IFRS 17 and IFRS 13, Fair Value Measurement ("IFRS 13") by:

  - Evaluating the methodologies and fair value adjustments and their applicability under IFRS 17 and IFRS 13;

  - Examining the audited historical projected cashflows and assumptions to ensure they are incorporated into the transition valuation models as applicable;

  - Evaluating new and revised key assumptions under IFRS 17;

- Testing the appropriateness of certain valuation models used in the estimation process by calculating an independent estimate of the insurance contract liability for a sample of insurance policies and comparing the results to the Company's estimate.

- Evaluated the reasonableness of the discount rates used to determine fair value by:
  - Evaluating whether management's assumptions and methodologies were determined in accordance with the requirements of IFRS 17 and IFRS 13;
  - Testing the inputs and source information underlying the determination of the discount rates and developing a range of independent estimates and comparing those to the discount rates selected by management.

Other Information

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

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

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

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

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

/s/ Deloitte LLP

Chartered Professional Accountants
Winnipeg, Manitoba
February 14, 2024

IGM Financial Inc.

PART C

Management's Discussion and Analysis

Financial Statements and Notes

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.sedarplus.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 the financial condition of IGM Financial Inc. (IGM Financial or the Company) as at and for the years ended December 31, 2023 and 2022 and should be read in conjunction with the audited Consolidated Financial Statements. Commentary in the MD&A as at and for the year ended December 31, 2023 is as of February 15, 2024.

Basis of Presentation and Summary of Accounting Policies

The Consolidated 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 Financial Reporting Standards (IFRS) and are presented in Canadian dollars (Note 2 of the Consolidated Financial Statements).

Principal Holders of Voting Shares

As at December 31, 2023, Power Corporation of Canada (Power) and Great-West Lifeco Inc. (Lifeco), a subsidiary of Power, held directly or indirectly 62.1% and 3.9%, respectively, of the outstanding common shares of IGM Financial.

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 Inc.'s (IGM Financial, IGM or the Company) 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.sedarplus.ca.

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 to 4.

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's core businesses IG Wealth Management and Mackenzie Investments. 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 core businesses. AUM&A excludes Investment Planning Counsel's (IPC's) AUM, AUA, sales, redemptions and net flows which have been disclosed as Discontinued operations.
- **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 core business.
- **Assets Under Management (AUM)** are the key driver of the Asset Management segment. AUM are an additional 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.
- **Assets Under Management and Advisement Including Strategic Investments (AUM&A Including SI)** represents AUM&A including the Company's proportionate share of the AUM&A of strategic investments based on the Company's direct and indirect ownership of the strategic investments. The strategic investments included are those whose activities are primarily in asset and wealth management, and include ChinaAMC, Northleaf, Rockefeller and Wealthsimple. Rockefeller client assets include assets under management and advisement as well as assets held for investment purposes and only receiving administrative services.
- **Working Capital** which consists of current assets less current liabilities excluding assets and liabilities not reflective of ongoing operations.

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 wealth management segment consists of IG Wealth Management (IG), and strategic investments in Rockefeller Capital Management (Rockefeller) and Wealthsimple Financial Corp. (Wealthsimple). The asset management segment consists of Mackenzie Investments (Mackenzie) and strategic investments in China Asset Management Co., Ltd. (ChinaAMC) and Northleaf Capital Group Ltd. (Northleaf). The Company also holds an investment in Great-West Lifeco Inc. (Lifeco). The Company sold its subsidiary, Investment Planning Counsel (IPC), in the fourth quarter of 2023.

IGM Financial's Assets Under Management and Advisement Including Strategic Investments (AUM&A Including SI) were $389.4 billion as at December 31, 2023 compared to $288.3 billion at December 31, 2022, as detailed in Table 6.

IGM Financial's Assets Under Management and Advisement (AUM&A) were $240.2 billion as at December 31, 2023, compared with $224.2 billion at December 31, 2022. Average total AUM&A for the year ended December 31, 2023 were $232.8 billion compared to $229.4 billion in 2022. Average total AUM&A for the fourth quarter of 2023 were $232.1 billion compared to $222.6 billion in the fourth quarter of 2022.

Net earnings available to common shareholders for the year ended December 31, 2023 were $1,148.9 million or $4.82 per share compared to net earnings available to common shareholders of $867.2 million or $3.63 per share in 2022, representing an increase of 32.8% in earnings per share. Net earnings available to common shareholders for the three months ended December 31, 2023 were $419.6 million or $1.76 per share compared to net earnings available to common shareholders of $224.7 million or $0.94 per share for the comparative period in 2022, an increase of 87.2% in earnings per share.

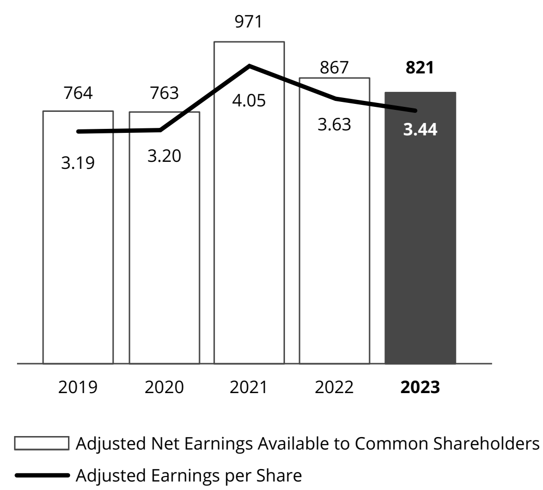
Adjusted net earnings available to common shareholders, excluding other items outlined below, for the year ended December 31, 2023 were $820.7 million or $3.44 per share compared to net earnings available to common shareholders of $867.2 million or $3.63 per share for the comparative period in 2022. Adjusted net earnings available to common shareholders, excluding other items outlined below, for the fourth quarter of 2023 were $198.9 million or $0.84 per share compared to net earnings available to common shareholders of $224.7 million or $0.94 per share for the comparative period in 2022.

Other items for the year ended December 31, 2023 consisted of:

- A gain on the sale of IPC of $220.7 million recorded in the fourth quarter.
- Restructuring and other charges of $76.2 million after-tax ($103.3 million pre-tax), recorded in the second quarter, related to further streamlining and simplifying the Company's

Adjusted Net Earnings Available to Common Shareholders[1] and Adjusted Earnings per Share[1]

For the financial year ($ millions, except per share amounts)



Adjusted net earnings available to common shareholders and adjusted net earnings per share excluded the following after-tax amounts:

2019 – the Company's proportionate share in Lifeco's one-time charges.

2020 – the gain on sale of Personal Capital, gain on sale of Quadrus Group of Funds net of acqusition costs, the Company's proportionate share of associate's adjustments and restructuring and other.

2021 – additional consideration receivable related to the sale of Personal Capital in 2020.

2023 – the gain on sale of IPC, gain on sale of Lifeco, Lifeco IFRS 17 adjustment and restructuring and other.

(1) A Non-IFRS financial measure – see Non-IFRS Financial Measures and Other Financial Measures section of this document.

operating model to better align with business priorities. The initiatives include:

- Organizational structure changes including aligning the Company's organizational structure to advance the growing needs of the business and deliver against key strategic initiatives. It also includes optimizing the Company's resources and talent structure to advance the growing needs of the business, enable partnerships across the business and operate more efficiently and effectively.
- Digital transformation to retire duplicate systems and to automate and modernize our technology infrastructure to enhance efficiencies and the Company's ability to service client needs.
- Real estate consolidation of IG Wealth Management's footprint to reflect the adoption of hybrid work and new technologies.

- A gain on the sale of a portion of the Company's investment in Lifeco of $168.6 million after-tax ($172.9 million pre-tax), consisting of $174.8 million recorded in the first quarter and a decrease of $6.2 million that was recorded on a prospective basis in the second quarter.
- Lifeco IFRS 17 adjustment of $15.1 million, recorded in the second quarter, representing a change of estimate which has been recorded on a prospective basis.

Shareholders' equity was $6.7 billion at December 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 year ended December 31, 2023 was 13.0% compared with 14.3% 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 year ended December 31, 2023 was 13.7% compared with 15.6% in 2022. The quarterly dividend per common share was 56.25 cents in 2023, unchanged from the end of 2022.

2023 Developments

Rockefeller Capital Management

On April 3, 2023, IGM Financial purchased a 20.5% equity interest in Rockefeller, a leading U.S. independent financial services advisory firm, for cash consideration of $835 million (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 entered into an agreement to sell 100% of IPC to The Canada Life Assurance Company (Canada Life) for $575 million. Payment for the Rockefeller transaction of $835 million (USD $622 million) was completed on June 2, 2023.

The financial results of Rockefeller are recorded in the Company's Wealth Management segment.

Investment Planning Counsel Inc. – Discontinued Operations

On November 30, 2023, the Company completed the sale of 100% of the common shares of IPC for proceeds of $575 million plus adjustments and recorded a gain of $220.7 million.

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.

Net earnings from discontinued operations for all periods under review are reported as a separate line item in consolidated and segment results.

China Asset Management Co., Ltd.

On January 12, 2023, the Company closed the transaction to acquire Power's 13.9% interest in ChinaAMC for cash consideration of $1.15 billion, increasing the Company's equity interest in ChinaAMC from 13.9% to 27.8%. To partially fund the transaction, IGM Financial sold 15,200,662 common shares of Lifeco to Power for cash consideration of $553 million which reduced the Company's equity interest in Lifeco from 4% to 2.4%. The 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.

The financial results of ChinaAMC are recorded in the Company's Asset Management segment.

Market Overview

Financial market returns were positive for the fourth quarter and year ended December 31, 2023:

- The S&P TSX Composite total return index increased by 8.1% in the fourth quarter of 2023 and by 11.8% for the year.
- U.S. equity markets, as measured by the S&P 500 total return index, increased by 11.7% in the fourth quarter of 2023 and by 26.3% for the year.
- European equity markets, as measured by the MSCI Europe net total return index, increased by 6.4% in the fourth quarter of 2023 and by 15.8% for the year.
- Asian equity markets, as measured by the MSCI AC Asia Pacific net total return index, increased by 8.0% in the fourth quarter of 2023 and by 11.4% for the year.
- The FTSE TMX Canada Universe Bond total return index increased by 8.3% in the fourth quarter of 2023 and by 6.7% for the year.
- Our clients experienced an average investment return of 6.7% in the fourth quarter of 2023 and 9.9% for the year (excluding IPC).

IGM Financial's AUM&A increased by 7.1% from $224.2 billion at December 31, 2022 to $240.2 billion at December 31, 2023. See Table 6 for the breakdown of IGM Financial's AUM&A.

Table 1: Reconciliation of Non-IFRS Financial Measures

	Three months ended			*Twelve months ended*	
($ millions except EPS)	**2023 Dec. 31**	2023 Sep. 30	2022 Dec. 31	**2023 Dec. 31**	2022 Dec. 31
Adjusted net earnings available to common shareholders[1]	**$ 198.9**	$ 209.8	$ 224.7	**$ 820.7**	$ 867.2
Gain on sale of IPC	**220.7**	–	–	**220.7**	–
Restructuring and other, net of tax	**–**	–	–	**(76.2)**	–
Gain on sale of Lifeco, net of tax	**–**	–	–	**168.6**	–
Lifeco IFRS 17 adjustment	**–**	–	–	**15.1**	–
Net earnings available to common shareholders	**$ 419.6**	$ 209.8	$ 224.7	**$ 1,148.9**	$ 867.2
Adjusted earnings per share[1]	**$ 0.84**	$ 0.88	$ 0.94	**$ 3.44**	$ 3.63
Gain on sale of IPC	**0.92**	–	–	**0.93**	–
Restructuring and other, net of tax	**–**	–	–	**(0.32)**	–
Gain on sale of Lifeco, net of tax	**–**	–	–	**0.71**	–
Lifeco IFRS 17 adjustment	**–**	–	–	**0.06**	–
Earnings per share[2]	**$ 1.76**	$ 0.88	$ 0.94	**$ 4.82**	$ 3.63
Average outstanding shares – Diluted *(thousands)*	**238,156**	238,550	237,958	**238,418**	238,996
EBITDA before sales commissions[1]	**$ 345.8**	$ 362.3	$ 366.1	**$ 1,404.2**	$ 1,425.6
Sales–based commissions paid	**(26.7)**	(30.2)	(22.2)	**(116.7)**	(130.8)
EBITDA after sales commissions[1]	**319.1**	332.1	343.9	**1,287.5**	1,294.8
Sales–based commissions paid subject to amortization	**26.7**	30.2	22.2	**116.7**	123.5
Amortization of capitalized sales commissions	**(25.2)**	(24.2)	(20.9)	**(94.2)**	(77.6)
Amortization of capital, intangible and other assets	**(26.5)**	(27.1)	(26.2)	**(106.5)**	(104.0)
Adjusted earnings before interest and income taxes[1]	**294.1**	311.0	319.0	**1,203.5**	1,236.7
Interest expense[3]	**38.6**	41.3	28.7	**141.0**	113.8
Adjusted earnings before income taxes – continuing and discontinued operations[1]	**255.5**	269.7	290.3	**1,062.5**	1,122.9
Income taxes	**54.9**	59.8	63.3	**238.2**	250.4
Adjusted net earnings[1]	**200.6**	209.9	227.0	**824.3**	872.5
Gain on sale of IPC	**220.7**	–	–	**220.7**	–
Restructuring and other, net of tax	**–**	–	–	**(76.2)**	–
Gain on sale of Lifeco, net of tax	**–**	–	–	**168.6**	–
Lifeco IFRS 17 adjustment	**–**	–	–	**15.1**	–
Net earnings	**$ 421.3**	$ 209.9	$ 227.0	**$ 1,152.5**	$ 872.5

(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 and in Q2 to Q4 2023, also included interest on the credit facility.

Reportable Segments

In the fourth quarter of 2023, the Company realigned its reportable segments to better characterize and simplify the Company's business lines into wealth management and asset management segments.

The revised segments reflect a realignment of Rockefeller and Wealthsimple to the wealth management segment and ChinaAMC and Northleaf to the asset management segment. These changes have no impact on the reported earnings of the Company. Prior period comparative information has been restated to reflect the realigned segments.

The Company's reportable segments are Wealth Management, Asset Management and Corporate & Other and reflect the Company's internal financial reporting and performance measurement (Tables 2, 3 and 4):

- ***Wealth Management*** – reflects the activities of its core business and strategic investments that are principally focused on providing financial planning and related services to retail client households. This segment includes the activities of IG Wealth Management which is a retail distribution organization that serves Canadian households through its securities dealer, mutual fund dealer 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. This segment also includes the Company's strategic investments in Rockefeller and Wealthsimple. Rockefeller is classified as an investment in associate and accounted for using the equity method, with the proportionate share of earnings included in revenue. Wealthsimple is classified as an investment which is accounted for as fair value through other comprehensive income and therefore has no impact on the segment earnings. This segment also included IPC, which was sold on November 30, 2023. IPC's results were classified as discontinued operations.
- ***Asset Management*** – reflects the activities of its core business and strategic investments primarily focused on providing investment management services. This segment includes the operations of Mackenzie Investments which provides investment management services 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. This segment also includes the Company's strategic investment in ChinaAMC and Northleaf which are classified as investments in associates and accounted for using the equity method. The proportionate share of earnings on these investments are included in the segment's revenue.
- ***Corporate and Other*** – primarily represents the investments in Lifeco and Portage Ventures LPs, the Company's unallocated capital, as well as consolidation elimination entries.

Assets Under Management and Advisement (AUM&A) represents the consolidated AUM and AUA of IGM Financial's core businesses IG Wealth Management and Mackenzie Investments. 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 core businesses. AUM&A excludes IPC's AUM, AUA, sales, redemptions and net flows which have been disclosed as discontinued operations.

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 an additional 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.

Assets Under Management and Advisement Including Strategic Investments (AUM&A Including SI) represents AUM&A including the Company's proportionate share of the AUM&A of strategic investments based on the Company's direct and indirect ownership of the strategic investments. The strategic investments included are those whose activities are primarily in asset and wealth management, and include ChinaAMC, Northleaf, Rockefeller and Wealthsimple. Rockefeller client assets include AUM&A as well as assets held for investment purposes and only receiving administrative services.

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,

Table 2: Consolidated Operating Results by Segment – Q4 2023 vs. Q4 2022

Three months ended *($ millions)*	Wealth Management **2023 Dec. 31**	2022 Dec. 31	Asset Management **2023 Dec. 31**	2022 Dec. 31	Corporate & Other **2023 Dec. 31**	2022 Dec. 31	Total **2023 Dec. 31**	2022 Dec. 31
Revenues								
Wealth management	**$ 551.7**	$ 530.8	**$ –**	$ –	**$ (1.7)**	$ –	**$ 550.0**	$ 530.8
Asset management	**–**	–	**259.5**	260.5	**(25.2)**	(27.0)	**234.3**	233.5
Dealer compensation expense	**–**	–	**(76.0)**	(76.9)	**(0.7)**	(0.1)	**(76.7)**	(77.0)
Net asset management	**–**	–	**183.5**	183.6	**(25.9)**	(27.1)	**157.6**	156.5
Net investment income and other	**3.7**	2.1	**4.0**	5.6	**2.9**	7.2	**10.6**	14.9
Proportionate share of associates' earnings	**(0.8)**	(0.4)	**32.3**	24.9	**19.1**	40.9	**50.6**	65.4
	554.6	532.5	**219.8**	214.1	**(5.6)**	21.0	**768.8**	767.6
Expenses								
Advisory and business development	**232.4**	217.2	**20.8**	21.3	**–**	–	**253.2**	238.5
Operations and support	**115.9**	108.9	**92.7**	91.3	**0.2**	(0.2)	**208.8**	200.0
Sub-advisory	**43.0**	41.5	**1.2**	1.0	**(27.5)**	(27.0)	**16.7**	15.5
	391.3	367.6	**114.7**	113.6	**(27.3)**	(27.2)	**478.7**	454.0
Adjusted earnings before interest and taxes(1)	**163.3**	164.9	**105.1**	100.5	**21.7**	48.2	**290.1**	313.6
Interest expense(2)	**26.0**	22.6	**6.5**	5.9	**–**	–	**32.5**	28.5
Adjusted earnings before income taxes(1)	**137.3**	142.3	**98.6**	94.6	**21.7**	48.2	**257.6**	285.1
Income taxes	**36.6**	38.2	**20.1**	20.2	**(0.7)**	3.4	**56.0**	61.8
Adjusted net earnings – continuing operations(1)	**100.7**	104.1	**78.5**	74.4	**22.4**	44.8	**201.6**	223.3
Net earnings – discontinued operations	**3.5**	3.5	**–**	–	**(4.5)**	0.2	**(1.0)**	3.7
Adjusted net earnings(1)	**104.2**	107.6	**78.5**	74.4	**17.9**	45.0	**200.6**	227.0
Non-controlling interest	**–**	0.2	**1.7**	2.1	**–**	–	**1.7**	2.3
Adjusted net earnings available to common shareholders(1)	**$ 104.2**	$ 107.4	**$ 76.8**	$ 72.3	**$ 17.9**	$ 45.0	**198.9**	224.7
Other items(1), net of tax								
Gain on sale of IPC							**220.7**	–
Net earnings available to common shareholders							**$ 419.6**	$ 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.

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.
- ***Dealer compensation*** – asset-based and sales-based compensation paid to dealers by the Asset Management segment.
- ***Proportionate share of associates' earnings*** – the Company's proportionate share of earnings from equity investments including Lifeco, ChinaAMC, Northleaf and Rockefeller.
- ***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.
- ***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.

Table 3: Consolidated Operating Results by Segment – Twelve Months Ended

	Wealth Management		Asset Management		Corporate & Other		Total	
Twelve months ended *($ millions)*	**2023 Dec. 31**	2022 Dec. 31	**2023 Dec. 31**	2022 Dec. 31	**2023 Dec. 31**	2022 Dec. 31	**2023 Dec. 31**	2022 Dec. 31
Revenues								
Wealth management	**$ 2,206.2**	$ 2,159.9	**$ –**	$ –	**$ (6.5)**	$ –	**$ 2,199.7**	$ 2,159.9
Asset management	**–**	–	**1,051.2**	1,077.7	**(102.2)**	(110.5)	**949.0**	967.2
Dealer compensation expense	**–**	–	**(311.4)**	(327.6)	**(2.7)**	–	**(314.1)**	(327.6)
Net asset management	**–**	–	**739.8**	750.1	**(104.9)**	(110.5)	**634.9**	639.6
Net investment income and other	**13.3**	2.4	**12.0**	5.7	**12.3**	14.2	**37.6**	22.3
Proportionate share of associates' earnings	**(3.3)**	(0.4)	**121.4**	82.9	**66.9**	128.2	**185.0**	210.7
	2,216.2	2,161.9	**873.2**	838.7	**(32.2)**	31.9	**3,057.2**	3,032.5
Expenses								
Advisory and business development	**922.7**	882.7	**83.5**	79.4	**–**	–	**1,006.2**	962.1
Operations and support	**438.5**	424.0	**362.7**	360.5	**1.2**	2.1	**802.4**	786.6
Sub-advisory	**172.4**	169.1	**4.6**	4.9	**(111.3)**	(110.5)	**65.7**	63.5
	1,533.6	1,475.8	**450.8**	444.8	**(110.1)**	(108.4)	**1,874.3**	1,812.2
Adjusted earnings before interest and taxes[(1)]	**682.6**	686.1	**422.4**	393.9	**77.9**	140.3	**1,182.9**	1,220.3
Interest expense[(2)]	**98.2**	89.7	**25.0**	23.5	**–**	–	**123.2**	113.2
Adjusted earnings before income taxes[(1)]	**584.4**	596.4	**397.4**	370.4	**77.9**	140.3	**1,059.7**	1,107.1
Income taxes	**156.1**	159.7	**83.8**	81.6	**(2.0)**	4.7	**237.9**	246.0
Adjusted net earnings – continuing operations[(1)]	**428.3**	436.7	**313.6**	288.8	**79.9**	135.6	**821.8**	861.1
Net earnings – discontinued operations	**15.0**	11.3	**–**	–	**(12.5)**	0.1	**2.5**	11.4
Adjusted net earnings[(1)]	**443.3**	448.0	**313.6**	288.8	**67.4**	135.7	**824.3**	872.5
Non-controlling interest	**0.2**	0.2	**3.4**	5.1	**–**	–	**3.6**	5.3
Adjusted net earnings available to common shareholders[(1)]	**$ 443.1**	$ 447.8	**$ 310.2**	$ 283.7	**$ 67.4**	$ 135.7	**820.7**	867.2
Other items[(1)], net of tax								
Gain on sale of IPC							**220.7**	–
Restructuring and other							**(76.2)**	–
Gain on sale of Lifeco							**168.6**	–
Lifeco IFRS 17 adjustment							**15.1**	–
Net earnings available to common shareholders							**$ 1,148.9**	$ 867.2

(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.

- ***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. The change in interest expense for the three and twelve month periods resulted from the impact of the issuance of $300 million 5.426% debentures on May 26, 2023. 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. Interest expense related to the credit facility, which was temporary financing put in place in the second quarter of 2023 and was repaid in the fourth quarter prior to the close of the IPC sale, is included in discontinued operations and totalled $6.0 million and $17.9 million, respectively, for the three and twelve months ended December 31, 2023.

Income taxes are reported in each segment. IGM Financial consolidated changes in the effective tax rates are detailed in Table 5.

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

Table 4: Consolidated Operating Results by Segment – Q4 2023 vs. Q3 2023

Three months ended *($ millions)*	Wealth Management **2023 Dec. 31**	2023 Sep. 30	Asset Management **2023 Dec. 31**	2023 Sep. 30	Corporate & Other **2023 Dec. 31**	2023 Sep. 30	Total **2023 Dec. 31**	2023 Sep. 30
Revenues								
Wealth management	**$ 551.7**	$ 564.8	**$ –**	$ –	**$ (1.7)**	$ (1.7)	**$ 550.0**	$ 563.1
Asset management	**–**	–	**259.5**	265.7	**(25.2)**	(25.8)	**234.3**	239.9
Dealer compensation expense	**–**	–	**(76.0)**	(77.9)	**(0.7)**	(0.7)	**(76.7)**	(78.6)
Net asset management	**–**	–	**183.5**	187.8	**(25.9)**	(26.5)	**157.6**	161.3
Net investment income and other	**3.7**	2.2	**4.0**	2.5	**2.9**	3.2	**10.6**	7.9
Proportionate share of associates' earnings	**(0.8)**	0.7	**32.3**	25.1	**19.1**	12.7	**50.6**	38.5
	554.6	567.7	**219.8**	215.4	**(5.6)**	(12.3)	**768.8**	770.8
Expenses								
Advisory and business development	**232.4**	234.3	**20.8**	19.0	**–**	–	**253.2**	253.3
Operations and support	**115.9**	108.8	**92.7**	87.2	**0.2**	0.4	**208.8**	196.4
Sub-advisory	**43.0**	43.8	**1.2**	1.2	**(27.5)**	(28.2)	**16.7**	16.8
	391.3	386.9	**114.7**	107.4	**(27.3)**	(27.8)	**478.7**	466.5
Adjusted earnings before interest and taxes[(1)]	**163.3**	180.8	**105.1**	108.0	**21.7**	15.5	**290.1**	304.3
Interest expense[(2)]	**26.0**	25.9	**6.5**	6.6	**–**	0.1	**32.5**	32.6
Adjusted earnings before income taxes[(1)]	**137.3**	154.9	**98.6**	101.4	**21.7**	15.4	**257.6**	271.7
Income taxes	**36.6**	41.2	**20.1**	22.4	**(0.7)**	(3.3)	**56.0**	60.3
Adjusted net earnings – continuing operations[(1)]	**100.7**	113.7	**78.5**	79.0	**22.4**	18.7	**201.6**	211.4
Net earnings – discontinued operations	**3.5**	4.5	**–**	–	**(4.5)**	(6.0)	**(1.0)**	(1.5)
Adjusted net earnings[(1)]	**104.2**	118.2	**78.5**	79.0	**17.9**	12.7	**200.6**	209.9
Non-controlling interest	**–**	–	**1.7**	0.1	**–**	–	**1.7**	0.1
Adjusted net earnings available to common shareholders[(1)]	**$ 104.2**	$ 118.2	**$ 76.8**	$ 78.9	**$ 17.9**	$ 12.7	**198.9**	209.8
Other items[(1)], net of tax								
Gain on sale of IPC							**220.7**	–
Net earnings available to common shareholders							**$ 419.6**	$ 209.8

(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.

Table 5: Effective Income Tax Rate[(1)]

	Three months ended **2023 Dec. 31**	2023 Sep. 30	2022 Dec. 31	Twelve months ended **2023 Dec. 31**	2022 Dec. 31
Income taxes at Canadian federal and provincial statutory rates	**26.65 %**	26.59 %	26.64 %	**26.68 %**	26.63 %
Effect of:					
Proportionate share of associates' earnings	**(4.37)**	(2.84)	(5.61)	**(3.40)**	(4.56)
Other	**(0.58)**	(1.52)	0.63	**(0.46)**	0.15
Effective income tax rate – before other items	**21.70**	22.23	21.66	**22.82**	22.22
Gain on sale of Lifeco	**–**	–	–	**(3.68)**	–
Lifeco IFRS 17 adjustment	**–**	–	–	**(0.35)**	–
Effective income tax rate – net earnings from continuing operations	**21.70 %**	22.23 %	21.66 %	**18.79 %**	22.22 %

(1) The effective income tax rates for the comparative figures have been restated to exclude discontinued operations related to IPC from earnings.

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.

In December 2021, the Organization for Economic Co-operation and Development (OECD) published the Pillar Two model rules outlining a structure for a new 15% global minimum tax regime. A number of countries where the Company operates, including Ireland and the UK, have enacted legislation, and will be effective for the Company's financial year beginning January 1, 2024. Pillar Two draft legislation in Canada has not been substantively enacted but when enacted, is expected to be effective for the Company as of January 1, 2024.

The assessment of the potential exposure to Pillar Two income taxes is based on the most recent tax filings, country-by-country reporting and financial statements for the Company and its subsidiaries as part of a larger related group of companies. Based on the assessment, the Pillar Two effective tax rates of the material jurisdictions in which the Company and its subsidiaries operate are above 15%. However, there may be immaterial jurisdictions where the Pillar Two income taxes apply, but the Company and its subsidiaries do not expect a material exposure to Pillar Two income taxes in those jurisdictions.

Other items, as reflected in Tables 2, 3 and 4, 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 for the year ended December 31, 2023, included:

- A gain on the sale of IPC of $220.7 million recorded in the fourth quarter.
- Restructuring and other charges of $76.2 million after-tax ($103.3 million pre-tax), recorded in the second quarter, related to further streamlining and simplifying the Company's operating model to better align with business priorities. The initiatives include:
  - Organizational structure changes including aligning the Company's organizational structure to advance the growing needs of the business and deliver against key strategic initiatives. It also includes optimizing the Company's resources and talent structure to advance the growing needs of the business, enable partnerships across the business and operate more efficiently and effectively.
  - Digital transformation to retire duplicate systems and to automate and modernize our technology infrastructure to enhance efficiencies and the Company's ability to service client needs.
  - Real estate consolidation of IG Wealth Management's footprint to reflect the adoption of hybrid work and new technologies.
- A gain on the sale of a portion of the Company's investment in Lifeco of $168.6 million after-tax ($172.9 million pre-tax), consisting of $174.8 million recorded in the first quarter and a decrease of $6.2 million that was recorded on a prospective basis in the second quarter.
- Lifeco IFRS 17 adjustment of $15.1 million, recorded in the second quarter, representing a change of estimate which has been recorded on a prospective basis.

Total AUM&A

IGM Financial's AUM&A Including SI were $389.4 billion as at December 31, 2023 compared to $288.3 billion at December 31, 2022, as detailed in Table 6.

AUM&A were $240.2 billion at December 31, 2023 compared to $224.2 billion at December 31, 2022, an increase of 7.1%, as detailed in Table 6. AUM were $226.6 billion at December 31, 2023 compared to $213.6 billion at December 31, 2022, an increase of 6.1%.

AUM&A net outflows for the twelve months ended December 31, 2023 were $2.0 billion compared to net inflows of $859 million in 2022, as detailed in Table 6. Investment fund net redemptions for the twelve month period were $4.3 billion in 2023 compared to net redemptions of $1.0 billion in 2022. Net outflows in the fourth quarter of 2023 were $1.2 billion compared to net outflows of $520 million in the fourth quarter of 2022, as detailed in Table 6. Fourth quarter investment fund net redemptions were $1.9 billion compared to net redemptions of $1.6 billion in 2022. Net flows and net sales are based on AUM&A 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, Northleaf, Rockefeller and its investment in Wealthsimple which is classified as fair value through other comprehensive income. The Company has included its proportionate share of the AUM&A of these investments in its AUM&A Including SI based on its direct and indirect interest in these companies.

At December 31, 2023, ChinaAMC's AUM was RMB¥ 1,823.6 billion ($341.0 billion) compared to RMB¥ 1,721.6 billion ($337.6 billion) at December 31, 2022, an increase of 5.9% (CAD$ 1.0%). IGM Financial held a 13.9% interest in ChinaAMC on December 31, 2022, which was increased to 27.8% on January 12, 2023.

At December 31, 2023, Northleaf's AUM was $26.6 billion compared to $24.1 billion at December 31, 2022, an increase of 10.4%. IGM Financial holds a 56% economic interest in Northleaf.

At December 31, 2023, Rockefeller's client assets were USD $122.1 billion ($161.6 billion). IGM Financial holds a 20.5% interest in Rockefeller.

Table 6: AUM&A

($ millions)	Wealth Management[1] 2023 Dec. 31	2022 Dec. 31	Asset Management[2] 2023 Dec. 31	2022 Dec. 31	Intercompany Eliminations[3] 2023 Dec. 31	2022 Dec. 31	Consolidated 2023 Dec. 31	2022 Dec. 31
Three months ended								
Gross flows								
Mutual fund gross sales[4]	**$ 2,628**	$ 2,125	**$ 1,736**	$ 1,559	**$ –**	$ –	**$ 4,364**	$ 3,684
Dealer gross inflows[3]	**3,089**	3,031	**–**	–	**–**	–	**3,089**	3,031
Discontinued operations inflows	**1,196**	1,157	**–**	–	**–**	–	**1,196**	1,157
Net flows								
Mutual fund net sales[4]	**(1,052)**	(718)	**(987)**	(966)	**–**	–	**(2,039)**	(1,684)
ETF net creations	**–**	–	**161**	134	**–**	–	**161**	134
Investment fund net sales	**(1,052)**	(718)	**(826)**	(832)	**–**	–	**(1,878)**	(1,550)
Institutional SMA net sales	**–**	–	**(186)**	(135)	**–**	–	**(186)**	(135)
IGM product net sales	**(1,052)**	(718)	**(1,012)**	(967)	**–**	–	**(2,064)**	(1,685)
Other dealer net flows	**824**	1,147	**–**	–	**1**	18	**825**	1,165
Total net flows[3]	**(228)**	429	**(1,012)**	(967)	**1**	18	**(1,239)**	(520)
Discontinued operations net flows	**387**	45	**–**	–	**17**	35	**404**	80
Total net flows including discontinued operations[3]	**160**	476	**(1,012)**	(967)	**17**	51	**(835)**	(440)
Twelve months ended								
Gross flows								
Mutual fund gross sales[4]	**$ 10,917**	$ 10,587	**$ 7,270**	$ 7,496	**$ –**	$ –	**$ 18,187**	$ 18,083
Dealer gross inflows[3]	**12,650**	12,872	**–**	–	**–**	–	**12,650**	12,872
Discontinued operations inflows	**4,671**	4,424	**–**	–	**–**	–	**4,671**	4,424
Net flows								
Mutual fund net sales[4]	**(2,254)**	43	**(2,314)**	(1,736)	**–**	–	**(4,568)**	(1,693)
ETF net creations[5]	**–**	–	**245**	705	**–**	–	**245**	705
Investment fund net sales	**(2,254)**	43	**(2,069)**	(1,031)	**–**	–	**(4,323)**	(988)
Institutional SMA net sales[6]	**–**	–	**192**	(834)	**–**	–	**192**	(834)
IGM product net sales	**(2,254)**	43	**(1,877)**	(1,865)	**–**	–	**(4,131)**	(1,822)
Other dealer net flows	**2,089**	2,647	**–**	–	**1**	34	**2,090**	2,681
Total net flows[3]	**(165)**	2,690	**(1,877)**	(1,865)	**1**	34	**(2,041)**	859
Discontinued operations net flows	**728**	255	**–**	–	**98**	43	**826**	298
Total net flows including discontinued operations[3]	**567**	2,951	**(1,877)**	(1,865)	**95**	71	**(1,215)**	1,157

(1) 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.
(2) Asset Management flows activity excludes sub-advisory to Canada Life and the Wealth Management segment.
(3) Consolidated results eliminate double counting where business is reflected within multiple segments.
(4) IG Wealth Management AUM and net sales include separately managed accounts.
(5) ETFs – During the twelve month period of 2022, Wealthsimple made allocation changes which resulted in $675 million in purchases in Mackenzie ETFs.
(6) Sub-advisory, institutional and other accounts
- During the second quarter of 2023, Mackenzie onboarded an institutional mandate of $490 million.
- During the first quarter of 2022, an institutional investor redeemed $291 million within products Mackenzie sub-advises.

At December 31, 2023, Wealthsimple's AUA was $31.0 billion compared to $18.3 billion at December 31, 2022, an increase of 69.4%. IGM Financial holds a 24.7% interest in Wealthsimple.

Changes in AUM 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.

Selected Annual Information

Financial information for the three most recently completed years is included in Table 7.

Net Earnings and Earnings per Share – Except as noted in the reconciliation in Table 7, variations in net earnings and total revenues result primarily from changes in average AUM&A.

AUM&A Including SI were $309.8 billion in 2021, decreased to $288.3 million in 2022 and increased to $389.4 million in 2023. The increase in 2023 were driven primarily by the increase in proportionate share of ownership of ChinaAMC, the investment in Rockefeller and an increase in the core business AUM&A.

Table 6: AUM&A (continued)

($ millions)	Wealth Management 2023 Dec. 31	2022 Dec. 31	Asset Management 2023 Dec. 31	2022 Dec. 31	Intercompany Eliminations[1] 2023 Dec. 31	2022 Dec. 31	Consolidated 2023 Dec. 31	2022 Dec. 31
AUM&A								
IG Wealth Management								
AUM[2]	**$ 107,635**	$ 99,275						
Other AUA	**13,588**	11,541						
AUA	**121,223**	110,816						
Mackenzie Investments								
Mutual funds			**$ 56,408**	$ 54,434				
ETFs[3]			**5,507**	5,219				
Investment funds			**61,915**	59,653				
Institutional SMA			**7,367**	6,422				
Sub-advisory to Canada Life[4]			**49,665**	47,023				
Total Institutional SMA			**57,032**	53,445				
Third Party AUM			**118,947**	113,098				
Sub-advisory and AUM to Wealth Management[4]			**76,758**	73,514				
Total AUM			**195,705**	186,612				
Consolidated excluding discontinued operations[5]								
AUM	**$ 107,635**	$ 99,275	**$ 195,705**	$ 186,612	**$ (76,758)**	$ (72,336)	**$ 226,582**	$ 213,551
AUM&A	**121,223**	110,816	**195,705**	186,612	**(76,758)**	(73,186)	**240,170**	224,242
Strategic investments[6]								
ChinaAMC			**94,792**	46,932				
Northleaf			**14,912**	13,521				
Rockefeller	**33,061**	–						
Wealthsimple	**7,657**	4,447						
Intra-segment eliminations	**(6)**	–	**(260)**	(156)				
	40,712	4,447	**109,444**	60,297	**(901)**	(719)	**149,255**	64,025
Consolidated AUM&A Including SI[5]	**161,935**	115,263	**305,149**	246,909	**(77,659)**	(73,905)	**389,425**	288,267

(1) Consolidated results eliminate double counting where business is reflected within multiple segments.
(2) Wealth Management AUM includes separately managed accounts.
(3) ETF assets inclusive of IGM Financial's managed products were $12.9 billion at December 31, 2023 (2022 – $12.4 billion).
(4) Effective November 30, 2023, Mackenzie's sub-advisory to discontinued operations, which had previously been reported in sub-advisory and AUM to Wealth Management, are now reported in sub-advisory to Canada Life.
(5) 2022 excludes discontinued operations of IPC: Wealth Management AUM of $4.6 billion and AUA of $29.5 billion; AUA elimination entries of ($4.4) billion; and IGM consolidated AUM&A of $25.2 billion.
(6) Proportionate share of strategic investments' AUM comprised of 27.8% (2022 – 13.9%) of ChinaAMC's AUM, 56% (2022 – 56%) of Northleaf's AUM, 20.5% (2022 – nil) of Rockefeller's client assets, and 24.7% (2022 – 24.3%) of Wealthsimple's AUA.

AUM&A were $248.8 billion in 2021, decreased to $224.2 billion in 2022 and increased to $240.2 billion in 2023. Changes were driven largely by changes in financial markets during the periods. Average total AUM&A for the year ended December 31, 2023 were $232.8 billion compared to $229.4 billion in 2022. The impact on earnings and revenues of changes in average total AUM&A and other pertinent items are discussed in the Review of Segment Operating Results sections of the MD&A for both IG Wealth Management and Mackenzie.

Net earnings in future periods will largely be determined by the level of AUM&A which will continue to be influenced by global market conditions.

Dividends per Common Share – Annual dividends per common share were $2.25 in 2023, unchanged from 2022 and 2021.

Summary of Quarterly results

The Summary of Quarterly Results in Table 8 includes the eight most recent quarters and the reconciliation of non-IFRS financial measures to net earnings in accordance with IFRS.

Changes in average AUM&A over the eight most recent quarters, as shown in Table 8, largely reflect the impact of changes in domestic and foreign markets and net sales of the Company.

Table 7: Selected Annual Information

	2023	2022	2021
Consolidated statements of earnings *($ millions)*			
Revenues			
Wealth management	**$ 2,199.7**	$ 2,159.9	$ 2,231.2
Net asset management	**634.9**	639.6	657.5
Net investment income and other	**37.6**	22.3	10.9
Proportionate share of associates' earnings	**185.0**	210.7	196.4
	3,057.2	3,032.5	3,096.0
Expenses	**1,997.5**	1,925.4	1,866.7
	1,059.7	1,107.1	1,229.3
Restructuring and other	**(103.3)**	–	–
Gain on sale of Lifeco	**172.9**	–	–
Lifeco IFRS 17 adjustment	**15.1**	–	–
Gain on sale of Personal Capital	**–**	–	10.6
Earnings before income taxes	**1,144.4**	1,107.1	1,239.9
Income taxes	**215.1**	246.0	279.2
Net earnings from continuing operations	**929.3**	861.1	960.7
Net earnings from discontinued operations	**223.2**	11.4	20.2
Net earnings	**1,152.5**	872.5	980.9
Non-controlling interest	**(3.6)**	(5.3)	(2.0)
Net earnings available to common shareholders	**$ 1,148.9**	$ 867.2	$ 978.9
Reconciliation of non-IFRS financial measures *($ millions)*			
Adjusted net earnings available to common shareholders(1)	**$ 820.7**	$ 867.2	$ 971.2
Other items:			
Gain on sale of IPC	**220.7**	–	–
Restructuring and other, net of tax	**(76.2)**	–	–
Gain on sale of Lifeco, net of tax	**168.6**	–	–
Lifeco IFRS 17 adjustment	**15.1**	–	–
Gain on sale of Personal Capital, net of tax	**–**	–	7.7
Net earnings available to common shareholders	**$ 1,148.9**	$ 867.2	$ 978.9
Earnings per share *($)*			
Adjusted earnings per share(1)			
– Basic	**$ 3.45**	$ 3.64	$ 4.07
– Diluted	**3.44**	3.63	4.05
Earnings per share			
– Basic	**4.83**	3.64	4.10
– Diluted	**4.82**	3.63	4.08
Dividends per share *($)*			
Common	**$ 2.25**	$ 2.25	$ 2.25
Average AUM&A(2) *($ billions)*			
Investment fund AUM	**$ 164.8**	$ 164.0	$ 168.0
Total AUM	**220.7**	220.8	227.0
Total AUM&A	**232.8**	229.4	233.2
Ending AUM&A(2) *($ billions)*			
Investment fund AUM	**$ 169.5**	$ 158.9	$ 178.9
Total AUM	**226.6**	213.6	240.7
Total AUM&A	**240.2**	224.2	248.8
Ending AUM&A Including SI(2) *($ billions)*	**$ 389.4**	$ 288.3	$ 309.8
Total corporate assets *($ millions)*	**$ 18,663**	$ 18,738	$ 17,661
Total long-term debt *($ millions)*	**$ 2,400**	$ 2,100	$ 2,100
Outstanding common shares *(thousands)*	**238,132**	237,668	239,679
Average outstanding shares – Diluted *(thousands)*	**238,418**	238,996	240,019

(1) A non-IFRS financial measure – see Non-IFRS Financial Measures and Other Financial Measures section of this document.
(2) As detailed in AUM&A definitions, AUM, AUA and AUM&A exclude IPC discontinued operations.

Table 8: Summary of Quarterly Results

	2023 Q4	2023 Q3	2023 Q2	2023 Q1	2022 Q4	2022 Q3	2022 Q2	2022 Q1
Consolidated statements of earnings *($ millions)*								
Revenues								
Wealth management	**$ 550.0**	$ 563.1	$ 552.5	$ 534.1	$ 530.8	$ 532.6	$ 535.3	$ 561.2
Asset management	**234.3**	239.9	238.7	236.1	233.5	235.7	241.9	256.1
Dealer compensation expense	**(76.7)**	(78.6)	(79.5)	(79.3)	(77.0)	(77.4)	(82.1)	(91.1)
Net asset management	**157.6**	161.3	159.2	156.8	156.5	158.3	159.8	165.0
Net investment income and other	**10.6**	7.9	8.1	11.0	14.9	10.3	(0.4)	(2.5)
Proportionate share of associates' earnings	**50.6**	38.5	42.9	53.0	65.4	46.9	50.0	48.4
	768.8	770.8	762.7	754.9	767.6	748.1	744.7	772.1
Expenses								
Advisory and business development	**253.2**	253.3	254.0	245.7	238.5	235.1	243.5	245.0
Operations and support	**208.8**	196.4	195.4	201.8	200.0	189.9	193.6	203.1
Sub-advisory	**16.7**	16.8	16.4	15.8	15.5	15.2	15.4	17.4
Interest(1)	**32.5**	32.6	30.0	28.1	28.5	28.5	28.3	27.9
	511.2	499.1	495.8	491.4	482.5	468.7	480.8	493.4
Earnings before undernoted	**257.6**	271.7	266.9	263.5	285.1	279.4	263.9	278.7
Restructuring and other	**–**	–	(103.3)	–	–	–	–	–
Gain on sale of Lifeco	**–**	–	(6.2)	179.1	–	–	–	–
Lifeco IFRS 17 adjustment	**–**	–	15.1	–	–	–	–	–
Earnings before income taxes	**257.6**	271.7	172.5	442.6	285.1	279.4	263.9	278.7
Income taxes	**56.0**	60.3	35.5	63.3	61.8	63.4	58.5	62.3
Net earnings from continuing operations	**201.6**	211.4	137.0	379.3	223.3	216.0	205.4	216.4
Net earnings from discontinued operations	**219.7**	(1.5)	1.8	3.2	3.7	1.0	3.0	3.7
Net earnings	**421.3**	209.9	138.8	382.5	227.0	217.0	208.4	220.1
Non-controlling interest	**1.7**	0.1	0.6	1.2	2.3	0.9	1.3	0.8
Net earnings available to common shareholders	**$ 419.6**	$ 209.8	$ 138.2	$ 381.3	$ 224.7	$ 216.1	$ 207.1	$ 219.3
Reconciliation of non-IFRS financial measures *($ millions)*								
Adjusted net earnings available to common shareholders(2)	**$ 198.9**	$ 209.8	$ 205.5	$ 206.5	$ 224.7	$ 216.1	$ 207.1	$ 219.3
Other items:								
Gain on sale of IPC	**220.7**	–	–	–	–	–	–	–
Restructuring and other, net of tax ($27.1 million)	**–**	–	(76.2)	–	–	–	–	–
Gain on sale of Lifeco, net of tax (Q1 – $4.3 million)	**–**	–	(6.2)	174.8	–	–	–	–
Lifeco IFRS 17 adjustment	**–**	–	15.1	–	–	–	–	–
Net earnings available to common shareholders	**$ 419.6**	$ 209.8	$ 138.2	$ 381.3	$ 224.7	$ 216.1	$ 207.1	$ 219.3
Earnings per share *($)*								
Adjusted earnings per share(2)								
– Basic	**$ 0.84**	$ 0.88	$ 0.86	$ 0.87	$ 0.95	$ 0.91	$ 0.87	$ 0.91
– Diluted	**0.84**	0.88	0.86	0.87	0.94	0.91	0.87	0.91
Earnings per share								
– Basic	**1.76**	0.88	0.58	1.60	0.95	0.91	0.87	0.91
– Diluted	**1.76**	0.88	0.58	1.60	0.94	0.91	0.87	0.91
Average outstanding shares – Diluted *(thousands)*	**238,156**	238,550	238,631	238,424	237,958	237,808	239,242	241,251
Average AUM&A(3) *($ billions)*								
Investment fund AUM	**$ 164.0**	$ 165.7	$ 165.4	$ 164.2	$ 158.6	$ 159.5	$ 164.3	$ 173.7
Total AUM	**219.2**	221.5	221.8	220.2	213.1	213.8	221.4	234.2
AUM&A	**232.1**	233.7	233.6	231.6	222.6	222.4	229.4	242.1
Ending AUM&A(3) *($ billions)*								
Investment fund AUM	**$ 169.5**	$ 160.9	$ 166.3	$ 165.6	$ 158.9	$ 153.0	$ 155.5	$ 173.3
Total AUM	**226.6**	215.2	222.6	222.3	213.6	205.3	209.6	233.1
AUM&A	**240.2**	227.4	234.7	234.1	224.2	214.1	217.7	241.2
Ending AUM&A Including SI(3) *($ billions)*	**$ 389.4**	$ 372.9	$ 375.2	$ 349.1	$ 288.3	$ 277.3	$ 279.9	$ 300.3

(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.
(3) As detailed in AUM&A definitions, AUM, AUA and AUM&A exclude IPC discontinued operations.

Wealth Management

The Wealth Management segment includes IG Wealth Management and strategic investments in Rockefeller and Wealthsimple. Prior to the segment realignment in the fourth quarter of 2023, Rockefeller and Wealthsimple were included in the Strategic Investments and Other segment. Prior period comparative information has been restated to reflect the realigned segment.

The Wealth Management segment also included IPC, which was classified as discontinued operations and was sold in the fourth quarter of 2023.

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 AUA.
- ***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.
- ***Proportionate share of associates' earnings*** is the Company's proportionate share of earnings from the segment's equity investments.

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 through its advisors by offering a broad range of financial products and services.

Rockefeller, founded in 2018, is a leading U.S. independent financial services advisory firm focused on the high-net-worth and ultra-high-net-worth segments. Rockefeller's goal is to be a premier advisory firm that redefines and elevates the financial services experience to empower individuals, families, institutions and corporations to realize their aspirations and achieve their most important goals.

Wealthsimple, founded in 2014, is one of Canada's fastest growing financial services companies and provides simple digital tools for growing and managing your money. Wealthsimple's mission is to help everyone achieve financial freedom.

2023 Developments

Rockefeller Capital Management

On April 3, 2023, IGM Financial acquired a 20.5% equity interest in Rockefeller for cash consideration of $835 million (USD $622 million).

Investment Planning Counsel

On November 30, 2023, IGM Financial completed the sale of 100% of the common shares of IPC.

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.

IG Private Company Advisory

In the third quarter of 2023, IG Wealth Management introduced IG Private Company Advisory to provide comprehensive advice to Canadian small to medium-sized business owners to support their succession plans. IG Private Company Advisory's dedicated team works with IG Wealth Management clients and provides advice in areas related to their business, including growth strategy, mergers, acquisitions and divestitures, and raising capital.

IG Target Education Portfolios

The Company introduced the IG Target Education Portfolios that will invest in an asset mix that automatically evolves based on when a child is expected to begin their post-secondary studies, shifting from a focus on maximizing growth in early years to keep up with rising costs of education to focus on income and capital preservations as the target education date approaches. The IG Target Education Portfolios are designed to work in Registered Education Savings Plan accounts, which provide the benefits of the Canadian Savings Grant, tax-free growth and tax efficient education funding not available through traditional savings account.

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 3,139 advisors. IG Wealth Management clients are more than one million individuals, families and business owners.

Canadians hold $6.2 trillion in discretionary financial assets with financial institutions at December 31, 2022, based on the most recent report from Investor Economics, and we view these savings as IG Wealth Management's addressable market. 75% of these savings are held by households with over $1 million, which are referred to as high net worth, and another 22% 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

Our goal is to help Canadians achieve financial well-being through better planning as Canada's top financial planning firm.

We strive to meet our strategic mandate by:

1) Focusing on key mass affluent and high net worth segments by aligning our capabilities to industry wealth drivers.
2) Utilizing a segmented advice model to align our best-in-class advice with Canadians' financial planning needs and complexities.
3) Leveraging leading innovation to enhance client experience and improve operational efficiencies.

IG Wealth Management 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.

We focus 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 Management provides advice through two primary channels:

- IG Wealth Management entrepreneurial advisors are focused on households with more complex needs which are in the high net worth and mass affluent segments of the market by focusing on households with greater than $250,000 of assets.
- IG Wealth Management's corporate channel is focused on households with less complex requirements and consists of employee advisors in two streams:
  - Employee dedicated advisors focused on mass affluent households with assets from $100,000 to $250,000 of assets.
  - Employee pooled advisors focused on mass market households with assets less than $100,000.

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.

AUA consists of the following:

- Clients with household assets greater than $1 million (defined as "high net worth") which totalled $45.8 billion at December 31, 2023, an increase of 21.6% from one year ago, and represented 38% of total AUA.
- Clients with household assets between $100 thousand and $1 million (defined as "mass affluent") which totalled $66.3 billion at December 31, 2023, an increase of 4.2% from one year ago, and represented 55% of total AUA.
- Clients with household assets less than $100 thousand (defined as "mass market") which totalled $9.1 billion at December 31, 2023, a decrease of 4.4% from one year ago, and represented 7% of total AUA.

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 December 31, 2023:

- 1,700 advisor practices (1,741 at December 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.
- 251 new advisors (333 at December 31, 2022), which are those advisors with less than four years of experience.
- 1,188 associates and regional vice-presidents (1,161 at December 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 3,139 (3,235 at December 31, 2022).

IG Wealth Management 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, unchanged from the comparative period of 2022.
- The advisor practice gross inflows were $1.6 million per practice compared to $1.5 million in the comparative period of 2022.

Key initiatives that impact advisor productivity are:

- Tightened recruiting standards that increased the likelihood of success while also enhancing our culture and brand.
- Corporate advice channel 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, insurance, and securities. Effective the first quarter of 2023 as part of the strategic mortgage partnership, we have engaged nesto to provide mortgage planning assistance to clients. 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, IG Private Wealth Management focuses on industry wealth drivers including tax planning and optimization, retirement readiness, wealth transfer and estate planning, small and medium enterprise monetization, high net worth financial literacy and philanthropy and legacy planning.

IG Living Plan™ allows clients to collaborate with an IG Wealth Management 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, focusing on managed solutions, 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 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 (IGAA) 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 increases 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 focusing on managed solutions that 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 (Canada), Sagard Credit Partners, Portage, Beutel Goodman & Company, PanAgora Asset Management, PIMCO Canada Corp., Northleaf Capital Partners (Canada), BristolGate Capital Partners, Aristotle Capital Boston, Putnam Investments Canada, Franklin Templeton Investment Management, Wellington Management Canada, Rockefeller & Co., JPMorgan Asset Management (Canada), BlackRock Asset Management Canada, ClearBridge Investments, 1832 Asset Management (Dynamic), American Century Investment 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.

IG Wealth Management was once again recognized for industry leading performance during 2023 by winning ten Fundata FundGrade A+ awards for its investment solutions. This award is presented annually and honours funds that achieve consistently high FundGrade scores throughout the calendar year.

We provide portfolio construction with investment solutions that include public markets, private markets, and alternative strategies.

Our investment solutions include:

- 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 Growth Portfolios, IG Managed Payout Portfolios, Investors Portfolios, IG Climate Action Portfolios, IG U.S. Taxpayer Portfolios, IG Target Education Portfolios, and IG Managed Risk Portfolios.
- *iProfile™ Portfolios* – iProfile Portfolios are a suite of six 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 Discretionary Portfolios* – iProfile Private Discretionary 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 Discretionary 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 iProfile Private Pools to support the models: four iProfile Active Allocation Private Pools, iProfile Alternatives Private Pool with mandates including 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, Emerging Markets Private Pool, Fixed Income Private Pool, Canadian Equity Private Pool, U.S. Equity Private Pool and International Equity Private Pool.
- A deep and broad selection of mutual funds, diversified by manager, asset category, investment style, geography, market capitalization and sector.
- 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 four 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 commitments to Northleaf Growth Fund, Northleaf Venture Catalyst III Fund, a custom Northleaf IG Canadian Private Equity Fund, as well as a fund managed by Sagard. The iProfile U.S. Equity Private Pool has made commitments to the Northleaf Capital Opportunities Fund, Northleaf Private Equity Investors VIII Fund, Northleaf Secondary Partners III Fund, as well as to investments managed by BlackRock and Portage. In the fourth quarter of 2023, the iProfile International Equity Private Pool made commitments to the Northleaf IG European Private Equity Fund.

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 December 31, 2023, 92.2% of IG Wealth Management mutual fund assets had a rating of three stars or better from Morningstar† fund ranking service and 58.7% had a rating of four or five stars. This compared to the Morningstar† universe of 86.8% for three stars or better and 50.2% for four and five star funds at December 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.

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 December 31, 2023, total segregated fund assets were $1.2 billion, compared to $1.3 billion at December 31, 2022.

Insurance

IG Wealth Management distributes life insurance in Canada through its arrangements with leading insurance companies, and offers a broad range of term, universal life, whole life, disability, critical illness, long-term care, personal health care coverage and group insurance.

At December 31, 2023, total in-force policies were approximately 374 thousand with an insured value of $105 billion, compared to approximately 377 thousand with an insured value of $103 billion at December 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 Specialists available through Investors Group Securities Inc.

Mortgage Banking Operations

Mortgages are offered to clients by IG Wealth Management. 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 for the three and twelve months ended December 31, 2023 were $188 million and $783 million compared to $121 million and $694 million in 2022, an increase of 55.3% and 12.9%, respectively. At December 31, 2023, mortgages serviced totalled $6.8 billion, compared to $6.9 billion at December 31, 2022, a decrease of 1.4%.

Private Company Advisory

Private Company Advisory is a comprehensive service to business owners in the small to midsize segment that provides

Table 9: Change in AUA – Wealth Management

Three months ended *($ millions)*	**2023 Dec. 31**	2023 Sep. 30	2022 Dec. 31	Change 2023 Sep. 30	Change 2022 Dec. 31
Change in AUA – IG Wealth Management					
IG gross client inflows	**$ 3,089**	$ 3,103	$ 3,031	(0.5)%	1.9 %
IG gross client outflows	**3,317**	3,120	2,602	6.3	27.5
Net flows	**(228)**	(17)	429	N/M	N/M
Investment returns	**7,247**	(2,593)	5,358	N/M	35.3
Net change in assets	**7,019**	(2,610)	5,787	N/M	21.3
Beginning assets	**114,204**	116,814	105,029	(2.2)	8.7
Ending AUA	**$ 121,223**	$ 114,204	$ 110,816	6.1 %	9.4 %
Strategic investments ending AUA					
Rockefeller	**$ 33,061**	$ 30,991	$ –	6.7 %	N/M %
Wealthsimple	**7,657**	6,051	4,447	26.5	72.2
Intra-segment eliminations	**(6)**	(4)	–	(50.0)	N/M
	$ 40,712	$ 37,038	$ 4,447	9.9 %	N/M %
Consolidated ending AUA including strategic investments[(1)]	**$ 161,935**	$ 151,242	$ 115,263	7.1 %	40.5 %
Daily average AUA					
IG Wealth Management	**$ 117,090**	$ 116,921	$ 109,638	0.1 %	6.8 %

Twelve months ended *($ millions)*	**2023 Dec. 31**	2022 Dec. 31	Change
Change in AUA – IG Wealth Management			
IG gross client inflows	**$ 12,650**	$ 12,872	(1.7)%
IG gross client outflows	**12,815**	10,182	25.9
Net flows	**(165)**	2,690	N/M
Investment returns	**10,572**	(11,431)	N/M
Net change in assets	**10,407**	(8,741)	N/M
Beginning assets	**110,816**	119,557	(7.3)
Ending AUA[(1)]	**$ 121,223**	$ 110,816	9.4 %
Daily average AUA			
IG Wealth Management	**$ 116,188**	$ 111,271	4.4 %

(1) Q3 2023 and Q4 2022 exclude discontinued operations of IPC of $30.3 billion and $29.5 billion, respectively.

advice on debt and equity financing, business valuation and succession.

Wealth Management AUM and AUA

AUM and AUA are key performance indicators for the Wealth Management segment and are detailed in Tables 9 and 10.

Wealth Management AUA including strategic investments were $161.9 billion at December 31, 2023, compared to $115.3 billion at December 31, 2022. Strategic investments AUA is based on the Company's direct and indirect ownership interest in these companies.

IG Wealth Management's AUA were $121.2 billion at December 31, 2023, an increase of 9.4% from December 31, 2022. The level of AUA are influenced by three factors: client inflows, client outflows and investment returns. AUA represents savings and investment products, including AUM 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 entrepreneurial advisors' compensation is also based on AUA and net assets contributed by our clients.

At December 31, 2023, Rockefeller's client assets were USD $122.1 billion ($161.6 billion). IGM Financial acquired a 20.5% interest in Rockefeller during the second quarter of 2023.

At December 31, 2023, Wealthsimple's AUA was $31.0 billion compared to $18.3 billion at December 31, 2022, an increase of

Table 10: Change in AUM – IG Wealth Management

Three months ended *($ millions)*	**2023 Dec. 31**	2023 Sep. 30	2022 Dec. 31	Change 2023 Sep. 30	Change 2022 Dec. 31
Sales	**$ 2,628**	$ 2,687	$ 2,125	(2.2)%	23.7 %
Redemptions	**3,680**	3,107	2,843	18.4	29.4
Net sales (redemptions)	**(1,052)**	(420)	(718)	(150.5)	(46.5)
Investment returns	**6,742**	(2,396)	4,533	N/M	48.7
Net change in assets	**5,690**	(2,816)	3,815	N/M	49.1
Beginning assets	**101,945**	104,761	95,460	(2.7)	6.8
Ending assets	**$ 107,635**	$ 101,945	$ 99,275	5.6 %	8.4 %
Daily average AUM	**$ 104,198**	$ 104,726	$ 99,208	(0.5)%	5.0 %

Twelve months ended *($ millions)*	**2023 Dec. 31**	2022 Dec. 31	Change
Sales	**$ 10,917**	$ 10,587	3.1 %
Redemptions	**13,171**	10,544	24.9
Net sales (redemptions)	**(2,254)**	43	N/M
Investment returns	**10,614**	(11,309)	N/M
Net change in assets	**8,360**	(11,266)	N/M
Beginning assets	**99,275**	110,541	(10.2)
Ending assets	**$ 107,635**	$ 99,275	8.4 %
Daily average AUM	**$ 104,121**	$ 101,859	2.2 %

69.4%. IGM Financial holds a 24.7% interest in Wealthsimple at December 31, 2023, compared to 24.3% at December 31, 2022.

IG Wealth Management AUM and AUA

For the quarter ended December 31, 2023, gross client inflows of IG Wealth Management AUA were $3.1 billion, an increase of 1.9% from $3.0 billion in the comparable period in 2022. For the quarter ended December 31, 2023, gross inflows from newly acquired clients with more than $1.0 million of assets accounted for 25.4% of all newly acquired client inflows. Net client outflows were $228 million compared to net client inflows of $429 million in the comparable period in 2022. During the fourth quarter, investment returns resulted in an increase of $7.2 billion in AUA compared to an increase of $5.4 billion in the fourth quarter of 2022.

Gross client inflows of IG Wealth Management AUA were $12.7 billion for the twelve months ended December 31, 2023, and represented a decrease of 1.7% from $12.9 billion in the comparable period in 2022. For the twelve months ended December 31, 2023, gross inflows from newly acquired clients with more than $1.0 million of assets accounted for 25.5% of all newly acquired client inflows. Net client outflows were $165 million in the twelve month period, a decrease of $2.9 billion from net client inflows of $2.7 billion in the comparable period in 2022. During 2023, investment returns resulted in an increase of $10.6 billion in AUA compared to a decrease of $11.4 billion in 2022.

Changes in mutual fund AUM for the periods under review are reflected in Table 10.

At December 31, 2023, $87.0 billion, or 82% of IG Wealth Management's mutual fund AUM, were in products with unbundled fee structures, up 13.4% from $76.7 billion at December 31, 2022 which represented 77% of AUM.

Change in AUM&A – 2023 vs. 2022

IG Wealth Management's AUA were $121.2 billion at December 31, 2023, an increase of 9.4% from $110.8 billion at December 31, 2022. IG Wealth Management's mutual fund AUM were $107.6 billion at December 31, 2023, representing an increase of 8.4% from $99.3 billion at December 31, 2022. Average daily mutual fund assets were $104.2 billion in the fourth quarter of 2023, up 5.0% from $99.2 billion in the fourth quarter of 2022. Average daily mutual fund assets were $104.1 billion for the twelve months ended December 31, 2023, an increase of 2.2% from $101.9 billion in 2022.

For the quarter ended December 31, 2023, sales of IG Wealth Management mutual funds through its advisor network were $2.6 billion, an increase of 23.7% from the comparable period in 2022. Mutual fund redemptions totalled $3.7 billion, an increase of 29.4% from 2022. IG Wealth Management mutual fund net redemptions for the fourth quarter of 2023 were $1.1 billion compared with net redemptions of $718 million in 2022. During the fourth quarter, investment returns resulted in an increase of $6.7 billion in mutual fund assets compared to an increase of $4.5 billion in the fourth quarter of 2022.

IG Wealth Management's annualized quarterly redemption rate for long-term funds was 13.4% in the fourth quarter of 2023, compared to 11.0% in the fourth quarter of 2022. IG Wealth Management's twelve month trailing redemption rate for long-term funds was 12.2% at December 31, 2023, compared to 10.0% at December 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 15.8% at December 31, 2023.

For the twelve months ended December 31, 2023, sales of IG Wealth Management mutual funds through its advisor network were $10.9 billion, an increase of 3.1% from 2022. Mutual fund redemptions totalled $13.2 billion, an increase of 24.9% from 2022. Net redemptions of IG Wealth Management mutual funds were $2.3 billion compared with net sales of $43 million in 2022. During 2023, investment returns resulted in an increase of $10.6 billion in mutual fund assets compared to a decrease of $11.3 billion in 2022.

Change in AUM&A – Q4 2023 vs. Q3 2023

IG Wealth Management's AUA were $121.2 billion at December 31, 2023, an increase of 6.1% from $114.2 billion at September 30, 2023. IG Wealth Management's mutual fund AUM were $107.6 billion at December 31, 2023, an increase of 5.6% from $101.9 billion at September 30, 2023. Average daily mutual fund assets were $104.2 billion in the fourth quarter of 2023 compared to $104.7 billion in the third quarter of 2023, a decrease of 0.5%.

For the quarter ended December 31, 2023, sales of IG Wealth Management mutual funds through its advisor network were $2.6 billion, a decrease of 2.2% from the third quarter of 2023. Mutual fund redemptions totalled $3.7 billion for the fourth quarter, increased 18.4% from the previous quarter, and the annualized quarterly redemption rate was 13.4% in the fourth quarter compared to 11.4% in the third quarter of 2023. IG Wealth Management mutual fund net redemptions were $1.1 billion for the current quarter compared to net redemptions of $420 million in the previous quarter.

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, earnings related to strategic investments and IPC.

As a result of the sale of IPC 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 12. Adjusted net earnings for the fourth quarter of 2023 were $101.7 million, a decrease of 2.8% from the fourth quarter in 2022 and a decrease of 10.2% from the prior quarter. Adjusted net earnings for the year ended December 31, 2023 were $432.4 million, a decrease of 1.1% from 2022.

Adjusted earnings before interest and taxes for the fourth quarter of 2023 were $164.3 million, a decrease of 0.7% from the fourth quarter in 2022 and a decrease of 9.0% from the

Table 11: Operating Results – Wealth Management

Three months ended *($ millions)*	**2023 Dec. 31**	2023 Sep. 30	2022 Dec. 31	Change 2023 Sep. 30	Change 2022 Dec. 31
Revenues					
Wealth Management					
Advisory fees	**$ 301.3**	$ 300.9	$ 283.1	0.1 %	6.4 %
Product and program fees	**224.0**	225.5	214.7	(0.7)	4.3
	525.3	526.4	497.8	(0.2)	5.5
Redemption fees	**–**	0.1	0.6	(100.0)	(100.0)
Other financial planning revenues	**26.4**	38.3	32.4	(31.1)	(18.5)
Total Wealth Management	**551.7**	564.8	530.8	(2.3)	3.9
Net investment income and other	**3.7**	2.2	2.1	68.2	76.2
Proportionate share of associates' earnings	**(0.8)**	0.7	(0.4)	N/M	(100.0)
	554.6	567.7	532.5	(2.3)	4.2
Expenses					
Advisory and business development					
Asset-based compensation	**145.6**	148.0	140.3	(1.6)	3.8
Sales-based compensation	**24.3**	23.6	20.4	3.0	19.1
Other					
Other product commissions	**18.7**	17.2	16.8	8.7	11.3
Business development	**43.8**	45.5	39.7	(3.7)	10.3
	62.5	62.7	56.5	(0.3)	10.6
Total advisory and business development	**232.4**	234.3	217.2	(0.8)	7.0
Operations and support	**115.9**	108.8	108.9	6.5	6.4
Sub-advisory	**43.0**	43.8	41.5	(1.8)	3.6
	391.3	386.9	367.6	1.1	6.4
Adjusted earnings before interest and taxes[1]	**163.3**	180.8	164.9	(9.7)	(1.0)
Interest expense	**26.0**	25.9	22.6	0.4	15.0
Adjusted earnings before income taxes[1]	**137.3**	154.9	142.3	(11.4)	(3.5)
Income taxes	**36.6**	41.2	38.2	(11.2)	(4.2)
Adjusted net earnings – continuing operations[1]	**100.7**	113.7	104.1	(11.4)	(3.3)
Net earnings – discontinued operations[2]	**3.5**	4.5	3.5	(22.2)	–
Adjusted net earnings[1]	**104.2**	118.2	107.6	(11.8)	(3.2)
Non-controlling interest	**–**	–	0.2	–	(100.0)
Adjusted net earnings available to common shareholders[1]	**$ 104.2**	$ 118.2	$ 107.4	(11.8)%	(3.0)%

(1) A non-IFRS financial measure – see Non-IFRS Financial Measures and Other Financial Measures section of this document.
(2) IPC segment operating results.

Table 11: Operating Results – Wealth Management (continued)

Twelve months ended *($ millions)*	**2023 Dec. 31**	2022 Dec. 31	Change
Revenues			
Wealth Management			
Advisory fees	**$ 1,188.5**	$ 1,140.4	4.2 %
Product and program fees	**890.5**	875.1	1.8
	2,079.0	2,015.5	3.2
Redemption fees	**1.0**	3.9	(74.4)
Other financial planning revenues	**126.2**	140.5	(10.2)
Total Wealth Management	**2,206.2**	2,159.9	2.1
Net investment income and other	**13.3**	2.4	N/M
Proportionate share of associates' earnings	**(3.3)**	(0.4)	N/M
	2,216.2	2,161.9	2.5
Expenses			
Advisory and business development			
Asset-based compensation	**584.4**	558.9	4.6
Sales-based compensation	**91.8**	76.1	20.6
Other			
Other product commissions	**66.7**	65.5	1.8
Business development	**179.8**	182.2	(1.3)
	246.5	247.7	(0.5)
Total advisory and business development	**922.7**	882.7	4.5
Operations and support	**438.5**	424.0	3.4
Sub-advisory	**172.4**	169.1	2.0
	1,533.6	1,475.8	3.9
Adjusted earnings before interest and taxes(1)	**682.6**	686.1	(0.5)
Interest expense	**98.2**	89.7	9.5
Adjusted earnings before income taxes(1)	**584.4**	596.4	(2.0)
Income taxes	**156.1**	159.7	(2.3)
Adjusted net earnings – continuing operations(1)	**428.3**	436.7	(1.9)
Net earnings – discontinued operations(2)	**15.0**	11.3	32.7
Adjusted net earnings(1)	**443.3**	448.0	(1.0)
Non-controlling interest	**0.2**	0.2	–
Adjusted net earnings available to common shareholders(1)	**$ 443.1**	$ 447.8	(1.0)%

(1) A non-IFRS financial measure – see Non-IFRS Financial Measures and Other Financial Measures section of this document.
(2) IPC segment operating results.

prior quarter. Adjusted earnings before interest and taxes for the year ended December 31, 2023 were $686.9 million, unchanged from 2022.

2023 vs. 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 AUA. Advisory fees were $301.3 million in the fourth quarter of 2023, an increase of $18.2 million or 6.4% from $283.1 million in 2022. For the twelve months ended December 31, 2023, advisory fees were $1,188.5 million, an increase of $48.1 million or 4.2% from $1,140.4 million in 2022.

The increase in advisory fees in the three months ending December 31, 2023 was primarily due to the increase in average AUA of 6.8%, as shown in Table 9, partially offset by a decrease in the advisory fee rate. The increase in advisory fees in the twelve months ending December 31, 2023 was primarily due to the increase in average AUA of 4.4%. The average advisory fee rate for the fourth quarter was 102.1 basis points of average AUA compared to 102.4 basis points in 2022. The average advisory fee rate for the twelve months ended December 31, 2023, was 102.3 basis points of average AUA, compared to 102.5 basis points in 2022.

Table 12: Operating Results – IG Wealth Management

Three months ended *($ millions)*	2023 Dec. 31	2023 Sep. 30	2022 Dec. 31	Change 2023 Sep. 30	Change 2022 Dec. 31
Revenues					
Wealth Management					
Advisory fees	**$ 301.3**	$ 300.9	$ 283.1	0.1 %	6.4 %
Product and program fees	**224.0**	225.5	214.7	(0.7)	4.3
	525.3	526.4	497.8	(0.2)	5.5
Redemption fees	**–**	0.1	0.6	(100.0)	(100.0)
Other financial planning revenues	**26.4**	38.3	32.4	(31.1)	(18.5)
Total Wealth Management	**551.7**	564.8	530.8	(2.3)	3.9
Net investment income and other	**3.7**	2.2	2.1	68.2	76.2
	555.4	567.0	532.9	(2.0)	4.2
Expenses					
Advisory and business development					
Asset-based compensation	**145.6**	148.0	140.3	(1.6)	3.8
Sales-based compensation	**24.3**	23.6	20.4	3.0	19.1
Other					
Other product commissions	**18.7**	17.2	16.8	8.7	11.3
Business development	**43.8**	45.5	39.7	(3.7)	10.3
	62.5	62.7	56.5	(0.3)	10.6
Total advisory and business development	**232.4**	234.3	217.2	(0.8)	7.0
Operations and support	**115.7**	108.4	108.8	6.7	6.3
Sub-advisory	**43.0**	43.8	41.5	(1.8)	3.6
	391.1	386.5	367.5	1.2	6.4
Adjusted earnings before interest and taxes[(1)]	**164.3**	180.5	165.4	(9.0)	(0.7)
Interest expense	**26.0**	25.9	22.6	0.4	15.0
Adjusted earnings before income taxes[(1)]	**138.3**	154.6	142.8	(10.5)	(3.2)
Income taxes	**36.6**	41.3	38.2	(11.4)	(4.2)
Adjusted net earnings[(1)]	**$ 101.7**	$ 113.3	$ 104.6	(10.2)%	(2.8)%

(1) A non-IFRS financial measure – see Non-IFRS Financial Measures and Other Financial Measures section of this document.

Product and program fees depend largely on the level and composition of mutual fund AUM. Product and program fees totalled $224.0 million in the current quarter, up 4.3% from $214.7 million a year ago primarily due to the increase in average AUM of 5.0%, as shown in Table 10. Product and program fees were $890.5 million for the twelve month period ended December 31, 2023 compared to $875.1 million in 2022, an increase of 1.8% primarily due to an increase in average AUM of 2.2%. The average product and program fee rate for the three and twelve month periods ending December 31, 2023 were 85.5 and 85.7 basis points of AUM, respectively, compared to 85.9 for both comparable periods in 2022.

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.

Other financial planning revenues of $26.4 million for the fourth quarter of 2023 decreased by $6.0 million from $32.4 million in 2022. For the twelve month period, other financial planning revenues of $126.2 million decreased by $14.3 million from $140.5 million in 2022.The change for both the three and twelve month periods was primarily due to lower earnings from the mortgage banking operations and lower revenues from the distribution of banking products partially offset by higher revenues from the distribution of insurance products. The lower earnings in both periods from the mortgage banking operations are due to fair value adjustments and net margins caused by the current interest rate environment.

A summary of mortgage banking operations for the three and twelve month periods under review is presented in Table 13.

Net Investment Income and Other

Net investment income and other consists of unrealized gains or losses on investments in proprietary funds in the three and

Table 12: Operating Results – IG Wealth Management (continued)

Twelve months ended *($ millions)*	**2023 Dec.31**	2022 Dec. 31	Change
Revenues			
Wealth Management			
Advisory fees	**$ 1,188.5**	$ 1,140.4	4.2 %
Product and program fees	**890.5**	875.1	1.8
	2,079.0	2,015.5	3.2
Redemption fees	**1.0**	3.9	(74.4)
Other financial planning revenues	**126.2**	140.5	(10.2)
Total Wealth Management	**2,206.2**	2,159.9	2.1
Net investment income and other	**13.3**	2.4	N/M
	2,219.5	2,162.3	2.6
Expenses			
Advisory and business development			
Asset-based compensation	**584.4**	558.9	4.6
Sales-based compensation	**91.8**	76.1	20.6
Other			
Other product commissions	**66.7**	65.5	1.8
Business development	**179.8**	182.2	(1.3)
	246.5	247.7	(0.5)
Total advisory and business development	**922.7**	882.7	4.5
Operations and support	**437.5**	423.6	3.3
Sub-advisory	**172.4**	169.1	2.0
	1,532.6	1,475.4	3.9
Adjusted earnings before interest and taxes(1)	**686.9**	686.9	–
Interest expense	**98.2**	89.7	9.5
Adjusted earnings before income taxes(1)	**588.7**	597.2	(1.4)
Income taxes	**156.3**	159.8	(2.2)
Adjusted net earnings(1)	**$ 432.4**	$ 437.4	(1.1)%

(1) A non-IFRS financial measure – see Non-IFRS Financial Measures and Other Financial Measures section of this document.

twelve months ended December 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 Corporate 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 AUA. Asset-based compensation increased by $5.3 million and $25.5 million for the three and twelve month periods ended December 31, 2023 to $145.6 million and $584.4 million, respectively, compared to 2022. The increase for both the three and twelve month periods was primarily due to increases in AUA, deferred selling commission units maturing and other compensation changes.

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 $24.3 million for the fourth quarter of 2023, an increase of $3.9 million from $20.4 million in 2022. For the twelve month period, sales-based compensation expense was $91.8 million, an increase of $15.7 million from $76.1 million in 2022.

Other advisory and business development expenses were $62.5 million in the fourth quarter of 2023, compared to

Table 13: Mortgage Banking Operations – IG Wealth Management

Three months ended *($ millions)*		2023 Dec. 31		2023 Sep. 30		2022 Dec. 31	Change 2023 Sep. 30	Change 2022 Dec. 31
Total mortgage banking income								
Net interest income on securitized loans								
Interest income	**$**	**41.7**	$	40.2	$	34.1	3.7 %	22.3 %
Interest expense		**39.6**		35.8		29.5	10.6	34.2
Net interest income		**2.1**		4.4		4.6	(52.3)	(54.3)
Gains (losses) on sales[1]		**(0.8)**		(1.8)		–	55.6	N/M
Fair value adjustments		**(9.2)**		3.2		(5.7)	N/M	(61.4)
Other		**4.6**		4.1		4.0	12.2	15.0
	$	**(3.3)**	$	9.9	$	2.9	N/M %	N/M %
Average mortgages serviced								
Securitizations	**$**	**4,694**	$	4,613	$	4,567	1.8 %	2.8 %
Other		**2,084**		2,162		2,357	(3.6)	(11.6)
	$	**6,778**	$	6,775	$	6,924	– %	(2.1)%
Mortgage sales to:[2]								
Securitizations	**$**	**379**	$	542	$	359	(30.1)%	5.6 %
Other[1]		**38**		82		–	(53.7)	N/M
	$	**417**	$	624	$	359	(33.2)%	16.2 %

Twelve months ended *($ millions)*		2023 Dec. 31		2022 Dec. 31	Change
Total mortgage banking income					
Net interest income on securitized loans					
Interest income	**$**	**155.2**	$	127.2	22.0 %
Interest expense		**142.8**		102.8	38.9
Net interest income		**12.4**		24.4	(49.2)
Gains (losses) on sales[1]		**(3.6)**		(3.5)	(2.9)
Fair value adjustments		**(8.0)**		(3.1)	(158.1)
Other		**14.6**		8.2	78.0
	$	**15.4**	$	26.0	(40.8)%
Average mortgages serviced					
Securitizations	**$**	**4,630**	$	4,708	(1.7)%
Other		**2,144**		2,404	(10.8)
	$	**6,774**	$	7,112	(4.8)%
Mortgage sales to:[2]					
Securitizations	**$**	**1,327**	$	1,281	3.6 %
Other[1]		**228**		355	(35.8)
	$	**1,555**	$	1,636	(5.0)%

(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.

$56.5 million in 2022, an increase of $6.0 million. The increase was due to higher compensation paid on the distribution of insurance products and timing of certain projects and other expenses. Other advisory and business development expenses were $246.5 million in the twelve months ended December 31, 2023, a decrease of $1.2 million from $247.7 million in 2022.

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 $115.7 million for the fourth quarter of 2023 compared to $108.8 million in 2022, an increase of $6.9 million. The increase in the fourth quarter was due to the timing of projects and other expenses. For the twelve month period, operations and support expenses were $437.5 million in 2023 compared to $423.6 million in 2022, an increase of $13.9 million or 3.3%.

Sub-advisory expenses were $43.0 million for the fourth quarter of 2023 compared to $41.5 million in 2022, an increase of $1.5 million or 3.6%. For the twelve month period, sub-advisory expenses were $172.4 million in 2023 compared to $169.1 million in 2022, an increase of $3.3 million or 2.0%. The change in both periods was primarily due to changes in AUM.

Interest Expense

Interest expense, which includes allocated interest expense on long-term debt and interest expense on leases, totalled $26.0 million in the fourth quarter of 2023, compared to $22.6 million in 2022. For the twelve month period, interest expense totalled $98.2 million compared to $89.7 million in 2022. Long-term debt interest expense is calculated based on an allocation of IGM Financial's long-term debt to IG Wealth Management. The allocation of debt increased to $1.95 billion during the second quarter of 2023, as a result of the issuance of long-term debt by IGM Financial. Previously, the allocation was $1.7 billion.

Q4 2023 vs. Q3 2023

Fee Income

Advisory fee income increased by $0.4 million or 0.1% to $301.3 million in the fourth quarter of 2023 compared with the third quarter of 2023. The increase in advisory fees in the fourth quarter was primarily due to the increase in average AUA of 0.1% for the quarter, as shown in Table 9. The average advisory fee rate for the fourth quarter was 102.1 basis points of average AUM, unchanged from the third quarter.

Product and program fees were $224.0 million in the fourth quarter of 2023, a decrease of $1.5 million from $225.5 million in the third quarter of 2023. The decrease was primarily due to the decrease in average AUM of 0.5%, as shown in Table 10. The average product and program fee rate was 85.5 basis points in the current quarter, compared to 85.7 in the third quarter.

Other financial planning revenues of $26.4 million in the fourth quarter of 2023 decreased by $11.9 million from $38.3 million in the third quarter due to lower earnings from the mortgage banking operations partially offset by higher revenues on the distribution of insurance products. The lower earnings from the mortgage banking operations are due to fair value adjustments and net margins caused by the current interest rate environment.

Expenses

Advisory and business development expenses in the current quarter were $232.4 million, a decrease of $1.9 million from $234.3 million in the previous quarter.

Operations and support expenses were $115.7 million for the fourth quarter of 2023 compared to $108.4 million in the previous quarter primarily due to the timing of projects and seasonality of expenses.

Wealth Management Strategic Investments

Wealth Management strategic investment's adjusted net earnings are presented within Table 14. Adjusted net earnings for the fourth quarter of 2023 were ($1.0) million, compared to ($0.5) million in 2022 and $0.4 million in the prior quarter. Annual adjusted net earnings were ($4.1) million, compared to ($0.7) million in 2022.

Investment Planning Counsel – Discontinued Operations

2023 vs. 2022

Adjusted net earnings for IPC in 2023 reflect earnings up to the date of sale of November 30. Adjusted net earnings for the fourth quarter were comparable to that of the fourth quarter of 2022 and for the year were $3.7 million higher compared to the full year of 2022.

Q4 2023 vs. Q3 2023

Adjusted net earnings in the fourth quarter of 2023 related to IPC were $1.0 million lower in the fourth quarter of 2023 compared to the prior quarter.

Table 14: Operating Results – Wealth Management Strategic Investments

Three months ended *($ millions)*		**2023 Dec. 31**		2023 Sep. 30		2022 Dec. 31	Change 2023 Sep. 30	Change 2022 Dec. 31
Revenues								
Proportionate share of associates' earnings								
Rockefeller	**$**	**–**	$	1.2	$	–	(100.0)%	– %
Other		**(0.8)**		(0.5)		(0.4)	(60.0)	(100.0)
		(0.8)		0.7		(0.4)	N/M	(100.0)
Expenses								
Operations and support		**0.2**		0.4		0.1	(50.0)	100.0
Adjusted earnings before income taxes[1]		**(1.0)**		0.3		(0.5)	N/M	(100.0)
Income taxes		**–**		(0.1)		–	100.0	–
Adjusted net earnings[1]	**$**	**(1.0)**	$	0.4	$	(0.5)	N/M %	(100.0)%

Twelve months ended *($ millions)*		**2023 Dec. 31**		2022 Dec. 31	Change
Revenues					
Proportionate share of associates' earnings					
Rockefeller	**$**	**(0.7)**	$	–	N/M %
Other		**(2.6)**		(0.4)	N/M
		(3.3)		(0.4)	N/M
Expenses					
Operations and support		**1.0**		0.4	150.0
Adjusted earnings before income taxes[1]		**(4.3)**		(0.8)	N/M
Income taxes		**(0.2)**		(0.1)	(100.0)
Adjusted net earnings[1]	**$**	**(4.1)**	$	(0.7)	N/M %

(1) A non-IFRS financial measure – see Non-IFRS Financial Measures and Other Financial Measures section of this document.

Asset Management

The Asset Management segment includes Mackenzie Investments and strategic investments in ChinaAMC and Northleaf. Prior to the segment realignment in the fourth quarter of 2023, ChinaAMC and Northleaf were included in the Strategic Investments and Other segment. Prior period comparative information has been restated to reflect the realigned segment.

Asset Management revenue reflects:

- ***Net asset management fees – third party*** includes fees received from our investment 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.
- ***Proportionate share of associates' earnings*** is the Company's proportionate share of earnings from the equity investments in ChinaAMC and Northleaf.

Assets managed by Mackenzie for IG Wealth Management are included in the Asset Management segment's AUM.

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 AUM. Management fee rates vary depending on the investment objective and the account type of the underlying AUM. 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.

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 drives for growth through product innovation and offering multi-asset investment solutions and services for investors with various risk-return profiles.

Northleaf is a global private equity, private credit and infrastructure fund manager headquartered in Toronto. Northleaf seeks to deliver high absolute risk-adjusted returns from access to value creation outside public markets.

2023 Developments

China Asset Management Co., Ltd.

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%.

Mackenzie Investments

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 and Lifeco subsidiaries (including IPC). Mackenzie partners with Wealthsimple to distribute ETFs through their product shelf. Mackenzie also serves as one of two exclusive investment solutions providers to PFSL Investment Canada Ltd. (Primerica) and launched a suite of 27 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 AUM.

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" which encourages people to be invested in the things that matter in their lives, while investing their money so their goals are realized. This new platform is an extension of Mackenzie's mission "to create an invested world together".

Investment Management

Mackenzie has $195.7 billion in AUM at December 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 16 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 of 27 Futurepath Funds for Primerica, the following third party sub-advisors were added: 1832 Asset Management, Addenda, Brandywine, Blackrock, and T. Rowe Price.

Long-term investment performance is a key measure of Mackenzie's ongoing success. At December 31, 2023, 31.5% of Mackenzie mutual fund assets were rated in the top two performance quartiles for the one year time frame, 43.0% for the three year time frame and 54.0% 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 December 31, 2023, 83.2% of Mackenzie mutual fund assets measured by Morningstar† had a rating of three stars or better and 50.7% had a rating of four or five stars. This compared to the Morningstar† universe of 86.8% for three stars or better and 50.2% for four and five star funds at December 31, 2023.

Mackenzie was once again recognized for industry leading performance during 2023 by winning ten Fundata FundGrade A+ awards for its mutual funds and exchange traded funds. This award is presented annually and honours funds that achieve consistently high FundGrade scores throughout the calendar year.

Products

Mackenzie continues to evolve its product shelf by providing enhanced investment solutions for financial advisors to offer their clients. During 2023, Mackenzie launched six mutual funds, including two FuturePath Funds through its partnership with Primerica Financial Services Canada (PFSL), and five ETFs, including a suite of three fixed income ETFs.

Mutual Funds

Mackenzie manages its product shelf through new fund launches and fund mergers to streamline fund offerings for advisors and investors. During the first three quarters of 2023, Mackenzie launched four mutual funds, including two Mackenzie FuturePath mutual funds through its partnership with PFSL:

- Mackenzie Corporate Knights Global 100 Index Fund
- Mackenzie USD Global Dividend Fund
- Mackenzie FuturePath Shariah Global Equity Fund
- Mackenzie FuturePath USD US Core

During the fourth quarter of 2023, Mackenzie launched two mutual funds:

- Mackenzie Greenchip USD Global Environmental All Cap Fund provides investors with an opportunity to gain U.S. dollar exposure to the environmental economy.
- Mackenzie All-Equity ETF Portfolio provides investors with a competitively priced, all-in-one core equity solution. The Fund seeks long-term capital appreciation by investing in a diversified set of Mackenzie and third-party exchange traded funds with exposure to Canadian and foreign equities.

Alternative Funds

Mackenzie currently has ten alternative funds 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. AUM of the four products with Northleaf exceeds $150 million.

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.

During 2023, Mackenzie launched five new ETFs. These ETFs further broadened our diverse offerings of ETFs:

- Mackenzie Corporate Knights Global 100 Index ETF
- Mackenzie Canadian Ultra Short Bond Index ETF
- Mackenzie Canadian Government Long Bond Index ETF
- Mackenzie US Government Long Bond Index ETF
- Mackenzie All-Equity Allocation ETF

Mackenzie's current line-up consists of 50 ETFs: 26 active and strategic beta ETFs and 24 traditional index ETFs. ETF AUM ended the quarter at $12.9 billion, inclusive of $7.4 billion in investments from IGM managed products. This ranks Mackenzie in sixth place in the Canadian ETF industry for AUM.

First Home Saving Account

Mackenzie introduced a First Home Savings Account (FHSA) during the fourth quarter of 2023. Available through financial advisors, the Mackenzie FHSA enhances the ability of Canadians to save for the purchase of their first home through a tax-sheltered savings and investment account.

2024 Launch

Mackenzie filed a preliminary prospectus for the launch of the following products during the first quarter of 2024:

- Mackenzie World Low Volatility Fund and Mackenzie World Low Volatility ETF seeks to provide long-term capital growth by investing primarily in equity securities of large and mid-capitalization companies in developed global markets, while seeking to provide lower volatility.
- Mackenzie Shariah Global Equity Fund seeks to provide long-term capital growth by investing primarily in Shariah-compliant equity securities of companies located anywhere in the world.

Assets Under Management

AUM is a key performance indicator for the Asset Management segment.

The changes in total AUM are summarized in Table 15 and the changes in investment fund AUM are summarized in Table 16. Assets managed for the Wealth Management segment are included in total AUM.

Asset Management AUA including strategic investments were $305.1 billion at December 31, 2023, compared to $246.9 billion at December 31, 2022. Strategic investments AUA is based on the Company's direct and indirect ownership interest in these companies.

At December 31, 2023, Mackenzie's total AUM were $195.7 billion, an increase of 4.9% from $186.6 billion last year. Mackenzie's total third party AUM were $118.9 billion, an increase of 5.2% from $113.1 billion last year. The change in Mackenzie's AUM is determined by investment returns and net contributions from our clients.

At December 31, 2023, ChinaAMC's AUM was RMB¥ 1,823.6 billion ($341.0 billion) compared to RMB¥ 1,721.6 billion ($337.6 billion) at December 31, 2022, an increase of 5.9% (CAD$ 1.0%). Mackenzie held a 13.9% interest in ChinaAMC on December 31, 2022, which was increased to 27.8% on January 12, 2023.

At December 31, 2023, Northleaf's AUM was $26.6 billion compared to $24.1 billion at December 31, 2022, an increase of 10.4%. Mackenzie holds a 56% economic interest in Northleaf.

Mackenzie Investments AUM

Change in AUM – 2023 vs. 2022

Mackenzie's total AUM at December 31, 2023 were $195.7 billion, an increase of 4.9% from $186.6 billion at December 31, 2022. Third party AUM were $118.9 billion, an increase of 5.2% from $113.1 billion at December 31, 2022.

Investment fund AUM were $61.9 billion at December 31, 2023, compared to $59.7 billion at December 31, 2022, an increase of 3.8%. Mackenzie's mutual fund AUM of $56.4 billion increased by 3.6% from $54.4 billion at December 31, 2022. Mackenzie's ETF assets excluding ETFs held within IGM Financial's managed products were $5.5 billion at December 31, 2023, an increase of 5.5% from $5.2 billion at December 31, 2022. ETF assets inclusive of IGM Financial's managed products were $12.9 billion at December 31, 2023 compared to $12.4 billion at December 31, 2022.

In the three months ended December 31, 2023, Mackenzie's mutual fund gross sales were $1.7 billion, an increase of 11.4% compared to $1.6 billion in 2022. Mutual fund redemptions in the current quarter were $2.7 billion, an increase of 7.8% from last year. Mutual fund net redemptions for the three months ended December 31, 2023 were $1.0 billion, consistent with the prior year. In the three months ended December 31, 2023, ETF net creations were $161 million compared to $134 million last year. Investment fund net redemptions in the current quarter were $826 million compared to net redemptions of $832 million last year. During the current quarter, investment returns resulted in investment fund assets increasing by $3.7 billion compared to an increase of $2.9 billion last year.

Total net redemptions excluding sub-advisory to Canada Life and to the Wealth Management segment for the three months ended December 31, 2023 were $1.0 billion, consistent with the prior year. During the current quarter, investment returns resulted in assets increasing by $4.2 billion compared to an increase of $3.4 billion last year.

In the twelve months ended December 31, 2023, Mackenzie's mutual fund gross sales were $7.3 billion, a decrease of 3.0% from $7.5 billion in 2022. Mutual fund redemptions in the current period were $9.6 billion, an increase of 3.8% from last year. Mutual fund net redemptions for the year ended December 31, 2023 were $2.3 billion, compared to net redemptions of $1.7 billion in 2022. In the year ended December 31, 2023, ETF net creations were $245 million compared to $705 million last year. Investment fund net redemptions in the current period were $2.1 billion compared to net redemptions of $1.0 billion last year. During the current period, investment returns resulted in investment fund assets increasing by $4.3 billion compared to a decrease of $7.7 billion last year.

Table 15: Change in Total AUM – Asset Management

Three months ended *($ millions)*	**2023 Dec. 31**	2023 Sep. 30	2022 Dec. 31	Change 2023 Sep. 30	Change 2022 Dec. 31
Mackenzie AUM excluding sub-advisory to Canada Life and the Wealth Management segment					
Net sales (redemptions)					
Mutual funds	**$ (987)**	$ (712)	$ (966)	(38.6)%	(2.2)%
ETF net creations	**161**	13	134	N/M	20.1
Investment funds(1)(2)	**(826)**	(699)	(832)	(18.2)	0.7
Sub-advisory, institutional and other accounts(3)	**(186)**	7	(135)	N/M	(37.8)
Total net sales (redemptions)	**(1,012)**	(692)	(967)	(46.2)	(4.7)
Investment returns	**4,192**	(1,948)	3,385	N/M	23.8
Net change in assets	**3,180**	(2,640)	2,418	N/M	31.5
Beginning assets	**66,102**	68,742	63,657	(3.8)	3.8
Ending assets	**$ 69,282**	$ 66,102	$ 66,075	4.8 %	4.9 %
Mackenzie consolidated AUM					
Mutual funds	**$ 56,408**	$ 53,950	$ 54,434	4.6 %	3.6 %
ETFs	**5,507**	5,050	5,219	9.0	5.5
Investment funds(1)(2)	**61,915**	59,000	59,653	4.9	3.8
Sub-advisory, institutional and other accounts(3)	**7,367**	7,102	6,422	3.7	14.7
	69,282	66,102	66,075	4.8	4.9
Sub-advisory to Canada Life(4)	**49,665**	45,906	47,023	8.2	5.6
Third party AUM	**118,947**	112,008	113,098	6.2	5.2
Sub-advisory and AUM to Wealth Management(2)(4)	**76,758**	74,325	73,514	3.3	4.4
Consolidated AUM	**$ 195,705**	$ 186,333	$ 186,612	5.0 %	4.9 %
Strategic investments ending AUM					
ChinaAMC	**$ 94,792**	$ 94,470	$ 46,932	0.3 %	102.0 %
Northleaf	**14,912**	15,092	13,521	(1.2)	10.3
Intra-segment eliminations	**(260)**	(302)	(156)	13.9	(66.7)
	$ 109,444	$ 109,260	$ 60,297	0.2 %	81.5 %
Consolidated ending AUM including strategic investments	**$ 305,149**	$ 295,593	$ 246,909	3.2 %	23.6 %
Mackenzie average total AUM(5)					
Third party AUM	**$ 114,128**	$ 115,517	$ 112,651	(1.2)%	1.3 %
Consolidated	**189,302**	191,889	186,260	(1.3)	1.6

Twelve months ended *($ millions)*	**2023 Dec. 31**	2022 Dec. 31	Change
Mackenzie AUM excluding sub-advisory to Canada Life and the Wealth Management segment			
Net sales (redemptions)			
Mutual funds	**$ (2,314)**	$ (1,736)	(33.3)%
ETF net creations(6)	**245**	705	(65.2)
Investment funds(1)(2)	**(2,069)**	(1,031)	(100.7)
Sub-advisory, institutional and other accounts(3)	**192**	(834)	N/M
Total net sales (redemptions)	**(1,877)**	(1,865)	(0.6)
Investment returns	**5,084**	(8,370)	N/M
Net change in assets	**3,207**	(10,235)	N/M
Beginning assets	**66,075**	76,310	(13.4)
Ending assets	**$ 69,282**	$ 66,075	4.9 %
Mackenzie average total AUM(5)			
Third Party	**$ 115,436**	$ 117,801	(2.0)%
Consolidated	**191,637**	194,040	(1.2)

(1) Investment fund AUM and net sales exclude investments into Mackenzie mutual funds and ETFs by IGM Financial's investment funds.
(2) 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.
(3) Sub-advisory, institutional and other accounts
- During the second quarter of 2023, Mackenzie onboarded an institutional mandate of $490 million.
- During the first quarter of 2022, an institutional investor redeemed $291 million within products Mackenzie sub-advises.
(4) Effective November 30, 2023, Mackenzie's sub-advisory to discontinued operations, which had previously been reported in sub-advisory and AUM to Wealth Management, are now reported in sub-advisory to Canada Life.
(5) Based on daily average investment fund assets and month-end average sub-advisory, institutional and other assets.
(6) ETFs – During the first quarter of 2022, Wealthsimple made allocation changes which resulted in $675 million in purchases in Mackenzie ETFs.

Table 16: Change in Investment Fund AUM – Mackenzie Investments[1]

Three months ended *($ millions)*	**2023 Dec. 31**	2023 Sep. 30	2022 Dec. 31	Change 2023 Sep. 30	Change 2022 Dec. 31
Sales	**$ 1,736**	$ 1,503	$ 1,559	15.5 %	11.4 %
Redemptions	**2,723**	2,215	2,525	22.9	7.8
Mutual fund net sales (redemptions)	**(987)**	(712)	(966)	(38.6)	(2.2)
ETF net creations	**161**	13	134	N/M	20.1
Investment fund net sales (redemptions)[2][3]	**(826)**	(699)	(832)	(18.2)	0.7
Investment returns	**3,741**	(1,840)	2,934	N/M	27.5
Net change in assets	**2,915**	(2,539)	2,102	N/M	38.7
Beginning assets	**59,000**	61,539	57,551	(4.1)	2.5
Ending assets	**$ 61,915**	$ 59,000	$ 59,653	4.9 %	3.8 %
Consists of:					
Mutual funds	**$ 56,408**	$ 53,950	$ 54,434	4.6 %	3.6 %
ETFs	**5,507**	5,050	5,219	9.0	5.5
Investment funds[3]	**$ 61,915**	$ 59,000	$ 59,653	4.9 %	3.8 %
Daily average investment fund assets	**$ 59,848**	$ 60,949	$ 59,421	(1.8)%	0.7 %

Twelve months ended *($ millions)*	**2023 Dec. 31**	2022 Dec. 31	Change
Sales	**$ 7,270**	$ 7,496	(3.0)%
Redemptions	**9,584**	9,232	3.8
Mutual fund net sales (redemptions)	**(2,314)**	(1,736)	(33.3)
ETF net creations[4]	**245**	705	(65.2)
Investment fund net sales (redemptions)[2][3]	**(2,069)**	(1,031)	(100.7)
Investment returns	**4,331**	(7,678)	N/M
Net change in assets	**2,262**	(8,709)	N/M
Beginning assets	**59,653**	68,362	(12.7)
Ending assets	**$ 61,915**	$ 59,653	3.8 %
Daily average investment fund assets	**$ 60,714**	$ 62,114	(2.3)%

(1) Investment fund AUM and net sales excludes investments into Mackenzie mutual funds and ETFs by IGM Financial's investment funds.
(2) Total investment fund net sales and AUM exclude Mackenzie mutual fund investments in ETFs.
(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) ETFs – During the first quarter of 2022, Wealthsimple made allocation changes which resulted in $675 million in purchases in Mackenzie ETFs.

During the first quarter of 2022, Wealthsimple made allocation changes which resulted in $675 million purchases into Mackenzie ETFs. Excluding this transaction, ETF net creations were $30 million and investment fund net redemptions were $1.7 billion in the twelve months ended December 31, 2022.

Redemptions of long-term mutual funds in the three and twelve months ended December 31, 2023, were $2.7 billion and $9.5 billion, respectively, compared to $2.5 billion and $9.1 billion last year. Mackenzie's annualized quarterly redemption rate for long-term mutual funds was 19.7% in the fourth quarter of 2023, compared to 18.2% in the fourth quarter of 2022. Mackenzie's twelve-month trailing redemption rate for long-term mutual funds was 17.1% at December 31, 2023, compared to 16.0% last year. The corresponding average twelve-month trailing redemption rate for long-term mutual funds for all other members of IFIC was approximately 15.5% at December 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.

Total net redemptions excluding sub-advisory to Canada Life and to the Wealth Management segment for the twelve months ended December 31, 2023 were $1.9 billion consistent with 2022. During the twelve month period, investment returns resulted in assets increasing by $5.1 billion compared to a decrease of $8.4 billion last year.

During the twelve months of 2023, Mackenzie onboarded an institutional mandate of $490 million. During the twelve months ended December 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 transactions, total net redemptions excluding sub-advisory to Canada Life and to the Wealth Management segment for the twelve months ended December 31, 2023 were $2.4 billion compared to $2.3 billion in 2022.

As at December 31, 2023, Mackenzie's sub-advisory to Canada Life were $49.7 billion compared to $47.0 billion at December 31, 2022.

As at December 31, 2023, Mackenzie's sub-advisory and AUM to the Wealth Management segment were $76.8 billion or 71.3% of Wealth Management AUM excluding strategic investments compared to $73.5 billion or 70.8% of Wealth Management AUM excluding strategic investments at December 31, 2022.

Change in AUM – Q4 2023 vs. Q3 2023

Mackenzie's total AUM at December 31, 2023 were $195.7 billion, an increase of 5.0% from $186.3 billion at September 30, 2023. Third party AUM were $118.9 billion, an increase of 6.2% from $112.0 billion at September 30, 2023.

Investment fund AUM were $61.9 billion at December 31, 2023, an increase of 4.9% from $59.0 billion at September 30, 2023. Mackenzie's mutual fund AUM were $56.4 billion at December 31, 2023, an increase of 4.6% from $54.0 billion at September 30, 2023. Mackenzie's ETF assets were $5.5 billion at December 31, 2023 compared to $5.1 billion at September 30, 2023. ETF assets inclusive of IGM Financial's managed products were $12.9 billion at December 31, 2023 compared to $12.5 billion at September 30, 2023.

For the quarter ended December 31, 2023, Mackenzie mutual fund gross sales were $1.7 billion, an increase of 15.5% from the third quarter of 2023. Mutual fund redemptions were $2.7 billion, an increase of 22.9% from the third quarter of 2023. Net redemptions of Mackenzie mutual funds for the current quarter were $1.0 billion compared with net redemptions of $712 million in the previous quarter.

Redemptions of long-term mutual fund assets in the current quarter were $2.7 billion, compared to $2.2 billion in the third quarter. Mackenzie's annualized quarterly redemption rate for long-term mutual funds for the current quarter was 19.7% compared to 15.7% in the third quarter.

For the quarter ended December 31, 2023, Mackenzie ETF net creations were $161 million compared to $13 million in the third quarter.

Investment fund net redemptions in the current quarter were $826 million compared to net redemptions of $699 million in the third quarter.

As at December 31, 2023, Mackenzie's sub-advisory to Canada Life were $49.7 billion compared to $45.9 billion at September 30, 2023.

As at December 31, 2023, Mackenzie's sub-advisory and AUM to the Wealth Management segment were $76.8 billion or 71.3% of Wealth Management AUM excluding strategic investments compared to $74.3 billion or 69.6% of total Wealth Management AUM excluding strategic investments at September 30, 2023.

Review of Segment Operating Results

The Asset Management segment's adjusted net earnings are presented in Table 17 and include the operations of Mackenzie Investments and earnings related to strategic investments.

Mackenzie Investments

Mackenzie Investments' adjusted net earnings are presented in Table 18. Adjusted net earnings for the fourth quarter of 2023 were $49.4 million, a decrease of 3.7% from the fourth quarter in 2022 and a decrease of 12.6% from the prior quarter. Adjusted net earnings for the year ended December 31, 2023 were $204.4 million, a decrease of 4.1% from 2022.

Adjusted earnings before interest and taxes for the fourth quarter of 2023 were $73.8 million, a decrease of 2.9% from the fourth quarter in 2022 and a decrease of 11.3% from the prior quarter. Adjusted earnings before interest and taxes for the year ended December 31, 2023 were $303.4 million, a decrease of 3.1% from 2022.

2023 vs. 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

Table 17: Operating Results – Asset Management

Three months ended *($ millions)*	**2023 Dec. 31**	2023 Sep. 30	2022 Dec. 31	Change 2023 Sep. 30	Change 2022 Dec. 31
Revenues					
Asset management					
Asset management fees – third party	**$ 230.9**	$ 236.2	$ 232.5	(2.2)%	(0.7)%
Redemption fees	**0.6**	0.7	0.7	(14.3)	(14.3)
	231.5	236.9	233.2	(2.3)	(0.7)
Dealer compensation expenses					
Asset-based compensation	**(76.0)**	(77.9)	(76.9)	(2.4)	(1.2)
Sales-based compensation	**–**	–	–	–	–
	(76.0)	(77.9)	(76.9)	(2.4)	(1.2)
Net asset management fees – third party	**155.5**	159.0	156.3	(2.2)	(0.5)
Asset management fees – Wealth Management	**28.0**	28.8	27.3	(2.8)	2.6
Net asset management	**183.5**	187.8	183.6	(2.3)	(0.1)
Net investment income and other	**4.0**	2.5	5.6	60.0	(28.6)
Proportionate share of associates' earnings	**32.3**	25.1	24.9	28.7	29.7
	219.8	215.4	214.1	2.0	2.7
Expenses					
Advisory and business development	**20.8**	19.0	21.3	9.5	(2.3)
Operations and support	**92.7**	87.2	91.3	6.3	1.5
Sub-advisory	**1.2**	1.2	1.0	–	20.0
	114.7	107.4	113.6	6.8	1.0
Adjusted earnings before interest and taxes[1]	**105.1**	108.0	100.5	(2.7)	4.6
Interest expense	**6.5**	6.6	5.9	(1.5)	10.2
Adjusted earnings before income taxes[1]	**98.6**	101.4	94.6	(2.8)	4.2
Income taxes	**20.1**	22.4	20.2	(10.3)	(0.5)
Adjusted net earnings	**78.5**	79.0	74.4	(0.6)	5.5
Non-controlling interest	**1.7**	0.1	2.1	N/M	(19.0)
Adjusted net earnings available to common shareholders[1]	**$ 76.8**	$ 78.9	$ 72.3	(2.7)%	6.2 %

(1) A non-IFRS financial measure – see Non-IFRS Financial Measures and Other Financial Measures section of this document.

Table 17: Operating Results – Asset Management (continued)

Twelve months ended *($ millions)*	2023 Dec. 31	2022 Dec. 31	Change
Revenues			
Asset management			
Asset management fees – third party	$ 934.6	$ 962.9	(2.9)%
Redemption fees	3.0	3.1	(3.2)
	937.6	966.0	(2.9)
Dealer compensation expenses			
Asset-based compensation	(311.4)	(320.3)	(2.8)
Sales-based compensation	–	(7.3)	(100.0)
	(311.4)	(327.6)	(4.9)
Net asset management fees – third party	626.2	638.4	(1.9)
Asset management fees – Wealth Management	113.6	111.7	1.7
Net asset management	739.8	750.1	(1.4)
Net investment income and other	12.0	5.7	110.5
Proportionate share of associates' earnings	121.4	82.9	46.4
	873.2	838.7	4.1
Expenses			
Advisory and business development	83.5	79.4	5.2
Operations and support	362.7	360.5	0.6
Sub-advisory	4.6	4.9	(6.1)
	450.8	444.8	1.3
Adjusted earnings before interest and taxes[1]	422.4	393.9	7.2
Interest expense	25.0	23.5	6.4
Adjusted earnings before income taxes[1]	397.4	370.4	7.3
Income taxes	83.8	81.6	2.7
Adjusted net earnings	313.6	288.8	8.6
Non-controlling interest	3.4	5.1	(33.3)
Adjusted net earnings available to common shareholders[1]	$ 310.2	$ 283.7	9.3 %

(1) A non-IFRS financial measure – see Non-IFRS Financial Measures and Other Financial Measures section of this document.

our investment funds. The amount of management fees depends on the level and composition of AUM. Management fee rates vary depending on the investment objective and the account type of the underlying AUM. 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 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 AUM. 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.

Table 18: Operating Results – Mackenzie Investments

Three months ended ($ millions)	2023 Dec. 31	2023 Sep. 30	2022 Dec. 31	Change 2023 Sep. 30	Change 2022 Dec. 31
Revenues					
Asset management					
Asset management fees – third party	**$ 230.9**	$ 236.2	$ 232.5	(2.2)%	(0.7)%
Redemption fees	**0.6**	0.7	0.7	(14.3)	(14.3)
	231.5	236.9	233.2	(2.3)	(0.7)
Dealer compensation expenses					
Asset-based compensation	**(76.0)**	(77.9)	(76.9)	(2.4)	(1.2)
Sales-based compensation	**–**	–	–	–	–
	(76.0)	(77.9)	(76.9)	(2.4)	(1.2)
Net asset management fees – third party	**155.5**	159.0	156.3	(2.2)	(0.5)
Asset management fees – Wealth Management	**28.0**	28.8	27.3	(2.8)	2.6
Net asset management	**183.5**	187.8	183.6	(2.3)	(0.1)
Net investment income and other	**4.0**	2.5	5.6	60.0	(28.6)
	187.5	190.3	189.2	(1.5)	(0.9)
Expenses					
Advisory and business development	**20.8**	19.0	21.3	9.5	(2.3)
Operations and support	**91.7**	86.9	90.9	5.5	0.9
Sub-advisory	**1.2**	1.2	1.0	–	20.0
	113.7	107.1	113.2	6.2	0.4
Adjusted earnings before interest and taxes(1)	**73.8**	83.2	76.0	(11.3)	(2.9)
Interest expense	**6.5**	6.6	5.9	(1.5)	10.2
Adjusted earnings before income taxes(1)	**67.3**	76.6	70.1	(12.1)	(4.0)
Income taxes	**17.9**	20.1	18.8	(10.9)	(4.8)
Adjusted net earnings(1)	**$ 49.4**	$ 56.5	$ 51.3	(12.6)%	(3.7)%

(1) A non-IFRS financial measure – see Non-IFRS Financial Measures and Other Financial Measures section of this document.

Net asset management fees – third party were $155.5 million for the three months ended December 31, 2023, a decrease of $0.8 million or 0.5% from $156.3 million last year. The decrease in net asset management fees – third party was due to a decrease in the net asset management fee rate partially offset by a 1.3% increase in average AUM, as shown in Table 15. Mackenzie's net asset management fee rate was 54.2 basis points for the three months ended December 31, 2023, compared to 55.1 basis points in the comparative period in 2022. The decrease in rate was mostly driven by a change in the composition of AUM.

Net asset management fees – third party were $626.2 million for the twelve months ended December 31, 2023, a decrease of $12.2 million or 1.9% from $638.4 million last year. The decrease in net asset management fees – third party was primarily due to a 2.0% decrease in average AUM, as shown in Table 15, offset by an increase in the net management fee rate. Mackenzie's net asset management fee rate was 54.4 basis points for the twelve months ended December 31, 2023, compared to 54.2 basis points in the comparative period in 2022. The increase in rate was mostly driven by lower selling commissions, partially offset by a change in the composition of AUM.

Asset management fees – Wealth Management were $28.0 million for the three months ended December 31, 2023, an increase of $0.7 million or 2.6% from $27.3 million last year. The increase in management fees was due to a 2.1% increase in average AUM and an increase in the management fee rate. Mackenzie's management fee rate was 14.8 basis points for the three months ended December 31, 2023 compared to 14.7 basis points in the comparative period in 2022.

Asset management fees – Wealth Management were $113.6 million for the twelve months ended December 31, 2023, an increase of $1.9 million or 1.7% from $111.7 million last year. The increase in management fees was due to an increase in the management fee rate. Mackenzie's management fee rate was 14.9 basis points for the twelve months ended December 31, 2023, compared to 14.7 basis points in the comparative period in 2022. Average AUM were comparable in both periods.

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.

Table 18: Operating Results – Mackenzie Investments (continued)

Twelve months ended *($ millions)*	**2023 Dec. 31**	2022 Dec. 31	Change
Revenues			
Asset management			
Asset management fees – third party	**$ 934.6**	$ 962.9	(2.9)%
Redemption fees	**3.0**	3.1	(3.2)
	937.6	966.0	(2.9)
Dealer compensation expenses			
Asset-based compensation	**(311.4)**	(320.3)	(2.8)
Sales-based compensation	**–**	(7.3)	(100.0)
	(311.4)	(327.6)	(4.9)
Net asset management fees – third party	**626.2**	638.4	(1.9)
Asset management fees – Wealth Management	**113.6**	111.7	1.7
Net asset management	**739.8**	750.1	(1.4)
Net investment income and other	**12.0**	5.7	110.5
	751.8	755.8	(0.5)
Expenses			
Advisory and business development	**83.5**	79.4	5.2
Operations and support	**360.3**	358.4	0.5
Sub-advisory	**4.6**	4.9	(6.1)
	448.4	442.7	1.3
Adjusted earnings before interest and taxes[(1)]	**303.4**	313.1	(3.1)
Interest expense	**25.0**	23.5	6.4
Adjusted earnings before income taxes[(1)]	**278.4**	289.6	(3.9)
Income taxes	**74.0**	76.4	(3.1)
Adjusted net earnings[(1)]	**$ 204.4**	$ 213.2	(4.1)%

(1) A non-IFRS financial measure – see Non-IFRS Financial Measures and Other Financial Measures section of this document.

Net investment income and other was $4.0 million for the three months ended December 31, 2023 compared to $5.6 million last year, and was $12.0 million for the twelve months ended December 31, 2023 compared to $5.7 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 $20.8 million for the three months ended December 31, 2023, a decrease of $0.5 million or 2.3% from $21.3 million in 2022. Expenses for the twelve months ended December 31, 2023 were $83.5 million, an increase of $4.1 million or 5.2% from $79.4 million last year.

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 $91.7 million for the three months ended December 31, 2023, an increase of $0.8 million or 0.9% from $90.9 million in 2022. Expenses for the twelve months ended December 31, 2023 were $360.3 million, an increase of $1.9 million or 0.5% from $358.4 million last year.

Sub-advisory expenses were $1.2 million for the three months ended December 31, 2023, compared to $1.0 million in 2022. Expenses for the twelve months ended December 31, 2023 were $4.6 million, compared to $4.9 million last year.

Interest Expense

Interest expense, which includes allocated interest expense on long-term debt and interest expense on leases, totalled $6.5 million in the fourth quarter of 2023, compared to $5.9 million in the comparative period in 2022. Interest expense for the twelve month period was $25.0 million compared to $23.5 million in 2022. Long-term debt interest expense is calculated based on an allocation of IGM Financial's long-term debt to Mackenzie. The allocation of debt increased to $450 million during the second quarter of 2023, as a result of the issuance of long-term debt by IGM Financial. Previously, the allocation was $400 million.

Q4 2023 vs. Q3 2023

Revenues

Net asset management fees – third party were $155.5 million for the current quarter, a decrease of $3.5 million or 2.2% from $159.0 million in the third quarter of 2023. Factors contributing to the net decrease were:

- Net asset management fee rate was 54.2 basis points for the current quarter compared to 54.8 basis points in the third quarter.
- Average AUM were $114.1 billion in the current quarter, a decrease of 1.2% from the prior quarter.

Asset management fees – Wealth Management were $28.0 million in the current quarter, a decrease of $0.8 million or 2.8% from $28.8 million in the third quarter of 2023. Factors contributing to the net decrease were:

- Asset management fee rate was 14.8 basis points for the current quarter compared to 15.0 basis points in the second quarter.
- Average AUM were $75.2 billion in the current quarter, a decrease of 1.6% from the prior quarter.

Net investment income and other was $4.0 million for the current quarter, compared to $2.5 million in the third quarter.

Expenses

Advisory and business development expenses were $20.8 million for the current quarter compared to $19.0 million in the third quarter.

Operations and support expenses were $91.7 million for the current quarter, an increase of $4.8 million or 5.5% from $86.9 million compared to the third quarter.

Sub-advisory expenses were $1.2 million for the current quarter, consistent with the third quarter.

Asset Management Strategic Investments

Asset Management strategic investment's adjusted net earnings are presented within Table 19. Adjusted net earnings for the fourth quarter of 2023 were $27.4 million, compared to $21.0 million in 2022 and $22.4 million in the prior quarter. Annual adjusted net earnings were $105.8 million, compared to $70.5 million in 2022.

The proportionate share of associates' earnings consists of equity earnings from ChinaAMC and Northleaf.

The Company's share of ChinaAMC earnings were $23.7 million in the fourth quarter of 2023 compared to $14.2 million in the comparable period in 2022 and were $104.1 million in the twelve month period of 2023, compared to $57.2 million in 2022. The increase in 2023 reflects the Company purchase of an additional 13.9% equity interest in ChinaAMC on January 12, 2023.

The Company's share of Northleaf's earnings were $8.6 million in the fourth quarter of 2023 compared to $10.7 million in the comparable period in 2022 and were $17.3 million in the twelve month period of 2023, compared to $25.7 million in 2022. This is offset by non-controlling interest as reflected in the table.

Table 19: Operating Results – Asset Management Strategic Investments

Three months ended *($ millions)*	**2023 Dec. 31**	2023 Sep. 30	2022 Dec. 31	Change 2023 Sep. 30	Change 2022 Dec. 31
Revenues					
Proportionate share of associates' earnings					
ChinaAMC	**$ 23.7**	$ 24.6	$ 14.2	(3.7)%	66.9 %
Northleaf	**8.6**	0.5	10.7	N/M	(19.6)
	32.3	25.1	24.9	28.7	29.7
Expenses					
Operations and support	**1.0**	0.3	0.4	233.3	150.0
Adjusted earnings before income taxes[1]	**31.3**	24.8	24.5	26.2	27.8
Income taxes	**2.2**	2.3	1.4	(4.3)	57.1
Adjusted net earnings[1]	**29.1**	22.5	23.1	29.3	26.0
Non-controlling interest	**1.7**	0.1	2.1	N/M	(19.0)
Adjusted net earnings available to common shareholders[1]	**$ 27.4**	$ 22.4	$ 21.0	22.3 %	30.5 %

Twelve months ended *($ millions)*	**2023 Dec. 31**	2022 Dec. 31	Change
Revenues			
Proportionate share of associates' earnings			
ChinaAMC	**$ 104.1**	$ 57.2	82.0 %
Northleaf	**17.3**	25.7	(32.7)
	121.4	82.9	46.4
Expenses			
Operations and support	**2.4**	2.1	14.3
Adjusted earnings before income taxes[1]	**119.0**	80.8	47.3
Income taxes	**9.8**	5.2	88.5
Adjusted net earnings[1]	**109.2**	75.6	44.4
Non-controlling interest	**3.4**	5.1	(33.3)
Adjusted net earnings available to common shareholders[1]	**$ 105.8**	$ 70.5	50.1 %

(1) A non-IFRS financial measure – see Non-IFRS Financial Measures and Other Financial Measures section of this document.

PART C
IGM FINANCIAL INC.

Corporate and Other

Review of Segment Operating Results

The Corporate and Other segment includes the Company's investments in Lifeco and Portage, and unallocated capital.

Earnings from the Corporate and Other segment include the Company's proportionate share of earnings of its associate, Lifeco, net investment income on unallocated capital and consolidation elimination entries.

At December 31, 2023, the Company held a 2.4% equity interest in Lifeco. IGM Financial and Lifeco are controlled by Power.

Portage consists of early-stage investment funds dedicated to backing innovating financial services companies and are controlled by Power.

In addition to Lifeco and other investments held by the Company, the Corporate and Other segment includes unallocated capital which totalled $282.3 million at December 31, 2023 compared to $770.9 million at December 31, 2022, as detailed in Table 20.

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.

Corporate and Other segment adjusted net earnings are presented in Table 21.

2023 vs. 2022

The proportionate share of associates' earnings decreased by $21.8 million in the fourth quarter of 2023 compared to the fourth quarter of 2022, and decreased by $61.3 million in the twelve month period. These earnings reflect the proportionate share of equity earnings from Lifeco as discussed in the Consolidated Financial Position section of this MD&A. The decrease in Lifeco earnings reflect the previously discussed changes in IGM Financial's percentage ownership effective on January 12, 2023. In 2022 and in the fourth quarter of 2023, the Company recorded its proportionate share of Lifeco earnings based on actual earnings. In the first three quarters of 2023, the Company recorded its proportionate share of Lifeco earnings using consensus analysts' earnings estimates, as Lifeco had reported quarterly earnings after the Company.

Net investment income and other was $2.9 million in the fourth quarter of 2023, a decrease of $4.3 million from $7.2 million in 2022. For the twelve month period, net investment income and other was $12.3 million, a decrease of $1.9 million from $14.2 million in 2022.

Q4 2023 vs. Q3 2023

The proportionate share of associates' earnings was $19.1 million in the fourth quarter of 2023, an increase of $6.4 million from the third quarter of 2023. During the fourth quarter, the Company recorded an increase of $0.8 million to adjust Lifeco's third quarter earnings to the actual earnings disclosed by Lifeco. During the third quarter, the Company recorded an adjustment of ($8.0) million related to Lifeco's second quarter earnings.

Table 20: Total Assets – Corporate and Other

($ millions)	**December 31, 2023**	December 31, 2022
Investments in associate		
Lifeco	**$ 589.3**	$ 939.5
FVTOCI investments		
Portage and other investments	**114.7**	111.6
Unallocated capital and other	**282.3**	770.9
Total assets	**$ 986.3**	$ 1,822.0
Lifeco fair value	**$ 970.9**	$ 1,168.3

Table 21: Operating Results – Corporate and Other

Three months ended *($ millions)*	**2023 Dec. 31**	2023 Sep. 30	2022 Dec. 31	Change 2023 Sep. 30	Change 2022 Dec. 31
Revenues					
Wealth Management	**$ (1.7)**	$ (1.7)	$ –	– %	N/M %
Asset management	**(25.2)**	(25.8)	(27.0)	2.3	6.7
Dealer compensation expense	**(0.7)**	(0.7)	(0.1)	–	N/M
Net asset management	**(25.9)**	(26.5)	(27.1)	2.3	4.4
Net investment income and other	**2.9**	3.2	7.2	(9.4)	(59.7)
Proportionate share of associates' earnings					
Lifeco	**19.1**	12.7	40.9	50.4	(53.3)
	(5.6)	(12.3)	21.0	54.5	N/M
Expenses					
Operations and support	**0.2**	0.4	(0.2)	(50.0)	N/M
Sub-advisory	**(27.5)**	(28.2)	(27.0)	2.5	(1.9)
	(27.3)	(27.8)	(27.2)	1.8	(0.4)
Adjusted earnings before interest and taxes	**21.7**	15.5	48.2	40.0	(55.0)
Interest expense	**–**	0.1	–	(100.0)	–
Adjusted earnings before income taxes[1]	**21.7**	15.4	48.2	40.9	(55.0)
Income taxes	**(0.7)**	(3.3)	3.4	78.8	N/M
Adjusted net earnings – continuing operations	**22.4**	18.7	44.8	19.8	(50.0)
Net earnings – discontinued operations	**(4.5)**	(6.0)	0.2	25.0	N/M
Adjusted net earnings[1]	**$ 17.9**	$ 12.7	$ 45.0	40.9 %	(60.2)%

Twelve months ended *($ millions)*	**2023 Dec. 31**	2022 Dec. 31	Change
Revenues			
Wealth Management	**$ (6.5)**	$ –	N/M %
Asset management	**(102.2)**	(110.5)	7.5
Dealer compensation expense	**(2.7)**	–	N/M
Net asset management	**(104.9)**	(110.5)	5.1
Net investment income and other	**12.3**	14.2	(13.4)
Proportionate share of associates' earnings			
Lifeco	**66.9**	128.2	(47.8)
	(32.2)	31.9	N/M
Expenses			
Operations and support	**1.2**	2.1	(42.9)
Sub-advisory	**(111.3)**	(110.5)	(0.7)
	(110.1)	(108.4)	(1.6)
Adjusted earnings before income taxes[1]	**77.9**	140.3	(44.5)
Income taxes	**(2.0)**	4.7	N/M
Adjusted net earnings – continuing operations	**79.9**	135.6	(41.1)
Net earnings – discontinued operations	**(12.5)**	0.1	N/M
Adjusted net earnings[1]	**$ 67.4**	$ 135.7	(50.3)%

(1) A non-IFRS financial measure – see Non-IFRS Financial Measures and Other Financial Measures section of this document.

IGM Financial Inc.

Consolidated Financial Position

IGM Financial's total assets were $18.7 billion at December 31, 2023, unchanged from December 31, 2022.

Other Investments

The composition of the Company's securities holdings is detailed in Table 22.

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, and Portag3 Ventures LP, Portag3 Ventures II LP and Portage Ventures III LP (Portage) and are recorded at FVTOCI.

The Company is the largest shareholder in Wealthsimple with a combined direct and indirect interest of 24.7% and a fair value of $607 million at December 31, 2023, compared to 24.3% and a fair value of $492 million in December 31, 2022. This change is largely due to a fair value increase of 20% and an incremental investment during the period. The increase in fair value is consistent with the increase in public market peer valuations, as well as Wealthsimple's business performance and revised revenue expectations. 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.

The total fair value of Corporate investments of $721 million at December 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 23.

Loans consisted of residential mortgages and represented 27.4% of total assets at December 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 $4.7 billion at December 31, 2023, compared to $4.6 billion at December 31, 2022.

The Company holds loans pending sale or securitization. Loans measured at fair value through profit or loss are residential

Table 22: Other Investments

	December 31, 2023		December 31, 2022	
($ millions)	**Cost**	**Fair Value**	Cost	Fair Value
Fair value through other comprehensive income				
Corporate investments	**$ 264.9**	**$ 721.4**	$ 242.7	$ 602.6
Fair value through profit or loss				
Equity securities	**12.8**	**13.1**	12.7	12.9
Proprietary investment funds	**126.5**	**129.1**	156.7	159.0
	139.3	**142.2**	169.4	171.9
	$ 404.2	**$ 863.6**	$ 412.1	$ 774.5

Table 23: Loans

($ millions)	**December 31, 2023**	December 31, 2022
Amortized cost	**$ 5,109.4**	$ 5,022.3
Allowance for expected credit losses	**(0.7)**	(0.8)
	$ 5,108.7	$ 5,021.5

mortgages held temporarily by the Company pending sale. Loans held for securitization are carried at amortized cost. Total loans being held pending sale or securitization are $375.5 million at December 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 December 31, 2023, IG Wealth Management serviced $8.7 billion of residential mortgages, including $1.9 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 fourth quarter of 2023, the Company securitized loans through its mortgage banking operations with cash proceeds of $327.7 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 8 to the Consolidated Financial Statements.

Investment in Associates

Great-West Lifeco Inc.

At December 31, 2023, the Company held a 2.4% equity interest in Lifeco. IGM Financial and Lifeco are controlled by Power.

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 and twelve months ended December 31, 2023 compared with 2022 are shown in Table 24.

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 $172.9 million before-tax ($168.6 million after tax), consisting of $179.1 million recorded in the first quarter and a decrease of $6.2 million that was recorded in the second quarter.

In the second quarter of 2023, the Company recorded a Lifeco IFRS 17 adjustment of $15.1 million representing a change of estimate which has been recorded on a prospective basis.

China Asset Management Co., Ltd.

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 and twelve months ended December 31, 2023 are shown in Table 24. The change in Other comprehensive income of positive $8.1 million in the three months ended December 31, 2023, was due to a 0.5% appreciation of the Chinese yuan relative to the Canadian dollar.

Table 24: Investment in Associates

($ millions)	Lifeco	ChinaAMC	Rockefeller	Northleaf	Other	December 31, 2023 Total	Lifeco	ChinaAMC	Northleaf	Other	December 31, 2022 Total
Three months ended											
Carrying value, October 1[1]	**$ 578.8**	**$1,852.9**	**$ 864.2**	**$ 293.2**	**$ 38.8**	**$3,627.9**	$ 903.2	$ 764.8	$ 273.8	$ –	$ 1,941.8
Investment	**–**	**0.6**	**1.5**	**–**	**–**	**2.1**	–	–	–	40.5	40.5
Dividends	**(11.5)**	**–**	**–**	**–**	**–**	**(11.5)**	(18.3)	–	–	–	(18.3)
Proportionate share of:											
Earnings[2][3]	**19.1**	**23.7**	**–**	**8.6**	**(0.8)**	**50.6**	40.9	14.2	10.7	(0.4)	65.4
Other comprehensive income (loss) and other adjustments	**2.9**	**8.1**	**(20.9)**	**–**	**–**	**(9.9)**	13.7	8.2	–	–	21.9
Carrying value, December 31	**$ 589.3**	**$1,885.3**	**$ 844.8**	**$ 301.8**	**$ 38.0**	**$3,659.2**	$ 939.5	$ 787.2	$ 284.5	$ 40.1	$ 2,051.3
Twelve months ended											
Carrying value, January 1[1]	**$ 939.5**	**$ 787.2**	**$ –**	**$ 284.5**	**$ 40.1**	**$2,051.3**	$ 885.1	$ 768.7	$ 258.8	$ –	$ 1,912.6
Investment	**–**	**1,162.4**	**857.7**	**–**	**0.5**	**2,020.6**	–	–	–	40.5	40.5
Disposition	**(397.7)**	**–**	**–**	**–**	**–**	**(397.7)**	–	–	–	–	–
Dividends	**(46.0)**	**(69.2)**	**–**	**–**	**–**	**(115.2)**	(73.2)	(31.3)	–	–	(104.5)
Proportionate share of:											
Earnings[2][3]	**66.9**	**104.1**	**(0.7)**	**17.3**	**(2.6)**	**185.0**	128.2	57.2	25.7	(0.4)	210.7
IFRS 17 adjustment	**15.1**	**–**	**–**	**–**	**–**	**15.1**	–	–	–	–	–
Other comprehensive income (loss) and other adjustments	**11.5**	**(99.2)**	**(12.2)**	**–**	**–**	**(99.9)**	(0.6)	(7.4)	–	–	(8.0)
Carrying value, December 31	**$ 589.3**	**$1,885.3**	**$ 844.8**	**$ 301.8**	**$ 38.0**	**$3,659.2**	$ 939.5	$ 787.2	$ 284.5	$ 40.1	$ 2,051.3

(1) Opening balances have been restated for the estimated impact of Lifeco's adoption of IFRS 17 and IFRS 9.

(2) The proportionate share of earnings from the Company's investment in associates is recorded in the Wealth Management, Asset Management and Corporate and Other segment.

(3) The Company's proportionate share of Northleaf's earnings, net of Non-controlling interest, was $6.9 million and $13.9 million, respectively, for the three and twelve month periods of 2023 compared to $8.6 million and $20.6 million, respectively, in 2022.

ChinaAMC's total assets under management, excluding subsidiary assets under management, were RMB¥ 1,823.6 billion ($341.0 billion) at December 31, 2023, representing an increase of 5.9% (CAD$ 1.0%) from RMB¥ 1,721.6 billion ($337.6 billion) at December 31, 2022. Mutual fund net flows, which exclude subsidiary and institutional assets under management, were RMB¥ 41.5 billion and RMB¥ 220.2 billion for the three and twelve month periods ended December 31, 2023, respectively (net flows obtained from Wind Information Co., Ltd.).

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%.

Rockefeller Capital Management

The financial results of Rockefeller are accounted for using the equity method of accounting as the Company exercises significant influence arising from board representation, participation in the policy making process and shared strategic initiatives.

Rockefeller's client assets were USD $122.1 billion ($161.6 billion) at December 31, 2023.

On April 3, 2023, the Company acquired a 20.5% equity interest in Rockefeller for cash consideration of $835 million (USD $622 million).

Northleaf Capital Group Ltd.

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.

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 $26.6 billion as at December 31, 2023, representing an increase of $2.5 billion or 10.4% from $24.1 billion at December 31, 2022. The increase during the twelve month period was driven by $3.6 billion in new commitments, offset in part by a decrease of $0.6 billion related to return of capital and a decrease of $0.5 billion related to foreign exchange on USD denominated assets.

Consolidated Liquidity and Capital Resources

Liquidity

Cash and cash equivalents totalled $544.6 million at December 31, 2023 compared with $1,072.9 million at December 31, 2022. Cash and cash equivalents related to the Company's deposit operations were $0.6 million at December 31, 2023, compared to $0.8 million at December 31, 2022, as shown in Table 25.

Client funds on deposit represents cash balances held by clients within their investment accounts and with the offset included in deposit liabilities. The decrease in Client funds on deposit and Deposit liabilities in 2023 was partially due to the sale of IPC in 2023. IPC Client funds on deposit and Deposit liabilities were $318 million at December 31, 2022.

Working capital, which consists of current assets less current liabilities, totalled $358.2 million at December 31, 2023 compared with $846.8 million at December 31, 2022 (Table 26).

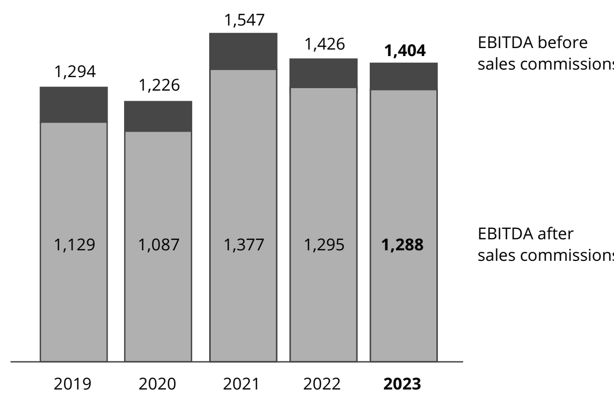
Working capital, which includes unallocated capital, is utilized to:

- 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 $1,404.2 million for the year ended December 31, 2023, compared to $1,425.6 million for 2022. EBITDA before sales commissions excludes the impact of both commissions paid and commission amortization (refer to Table 1).

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)[1]

For the financial year ($ millions)



EBITDA before and after sales commissions excluded the following:

2019 – the Company's proportionate share of associate's one-time charges.

2020 – the gain on sale of Personal Capital, gain on sale of Quadrus Group of Funds net of acqusition costs, the Company's proportionate share of associate's adjustments and restructuring and other.

2021 – additional consideration receivable related to the sale of Personal Capital in 2020.

2023 – the gain on sale of IPC, gain on sale of Lifeco, Lifeco IFRS 17 adjustment and restructuring and other.

(1) A Non-IFRS financial measure – see Non-IFRS Financial Measures and Other Financial Measures section of this document.

Table 25: Deposit Operations – Financial Position

As at December 31 *($ millions)*	**2023**	2022
Assets		
Cash and cash equivalents	**$ 0.6**	$ 0.8
Client funds on deposit	**3,365.7**	4,347.4
Accounts and other receivables	**0.7**	0.6
Loans	**9.3**	9.4
Total assets	**$ 3,376.3**	$ 4,358.2
Liabilities and shareholders' equity		
Deposit liabilities	**$ 3,344.2**	$ 4,334.0
Other liabilities	**23.3**	15.2
Shareholders' equity	**8.8**	9.0
Total liabilities and shareholders' equity	**$ 3,376.3**	$ 4,358.2

Table 26: Working Capital

As at December 31 ($ millions)		2023		2022
Current assets				
Cash and cash equivalents	**$**	**544.6**	$	1,072.9
Client funds on deposit		**3,365.7**		4,347.4
Accounts receivable and other assets		**431.6**		462.6
Current portion of securitized mortgages and other		**1,020.8**		992.2
		5,362.7		6,875.1
Current liabilities				
Accounts and other payables		**712.9**		726.4
Deposits and certificates		**3,343.1**		4,332.8
Current portion of obligations to securitization entities and other		**948.5**		969.1
		5,004.5		6,028.3
Working capital	**$**	**358.2**	$	846.8

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 $1,287.5 million for the year ended December 31, 2023, compared to $1,294.8 million for 2022. EBITDA after sales commissions excludes the impact of commission amortization (refer to Table 1).

Refer to the Financial Instruments 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 27 – Cash Flows is a summary of the Consolidated Statements of Cash Flows which forms part of the Consolidated Financial Statements for the year ended December 31, 2023. Cash and cash equivalents decreased by $528.3 million in 2023 compared to a decrease of $219.5 million in 2022.

Adjustments to determine net cash from operating activities during the year ended 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.
- 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 adjustments for other items in 2023 which included the gain on the partial sale of the Company's investment in Lifeco and the gain on the sale of IPC.
- The add-back of a one-time adjustment in 2023 in respect of a restructuring provision and other.
- The deduction of restructuring provision cash payments.

Table 27: Cash Flows

Twelve months ended ($ millions)		2023 Dec. 31		2022 Dec. 31	Change
Operating activities					
Earnings before income taxes	**$**	**1,367.0**	$	1,122.9	21.7 %
Income taxes paid		**(222.7)**		(330.9)	32.7
Adjustments to determine net cash from operating activities		**(307.0)**		(54.3)	N/M
		837.3		737.7	13.5
Financing activities		**(203.8)**		(1,091.9)	81.3
Investing activities		**(1,161.8)**		134.7	N/M
Change in cash and cash equivalents		**(528.3)**		(219.5)	(140.7)
Cash and cash equivalents, beginning of year		**1,072.9**		1,292.4	(17.0)
Cash and cash equivalents, end of year	**$**	**544.6**	$	1,072.9	(49.2)%

Financing activities during the year ended December 31, 2023 compared to 2022 related to:

- An increase in obligations to securitization entities of $1,256.0 million and repayments of obligations to securitization entities of $1,217.0 million in 2023 compared to an increase in obligations to securitization entities of $1,171.0 million and repayments of obligations to securitization entities of $1,626.9 million in 2022.
- Net proceeds on the credit facility of $550.0 million in 2023 which was repaid prior to the close of the IPC sale.
- The issuance of debentures of $300.0 million in 2023.
- The payment of regular common share dividends which totalled $535.4 million in 2023 compared to $537.2 million in 2022.

2022 also included the purchase of 2,890,000 common shares under IGM Financial's normal course issuer bid at a cost of $115.7 million.

Investing activities during the year ended December 31, 2023 compared to 2022 primarily related to:

- The purchases of other investments totalling $86.7 million and sales of other investments with proceeds of $80.8 million in 2023 compared to $150.5 million and $120.1 million, respectively, in 2022.
- An increase in loans of $1,203.2 million with repayments of loans and other of $1,113.5 million in 2023 compared to $1,274.4 million and $1,584.4 million, respectively, in 2022, primarily related to residential mortgages in the Company's mortgage banking operations.
- Net cash used in additions to intangible assets and acquisitions and other was $125.0 million in 2023 compared to $107.1 million in 2022.
- The investment in ChinaAMC of $1,162. 4 million in 2023.
- The investment in Rockefeller of $857.7 million in 2023, which was comprised of cash consideration of $835 million and transaction costs.
- Sale of Lifeco shares with proceeds of $552.7 million in 2023.
- Sale of IPC in 2023 with proceeds of $555.0 million, net of cash and cash equivalents of discontinued operations.

Accumulated Other Comprehensive Income

Accumulated other comprehensive income totalled $316.3 million at December 31, 2023, compared to $362.8 million at December 31, 2022, as detailed in Table 28.

The Other comprehensive loss for employee benefits in 2023 was primarily due to a decrease in discount rates.

The gain related to Other investments in 2023 is primarily due a change in fair value of Wealthsimple of approximately 20%. The change is consistent with the increase in public market peer valuations, as well as Wealthsimple's business performance and revised revenue expectations.

The Other comprehensive loss for Investment in associates in 2023 was primarily related to the second quarter foreign exchange translation related to the Company's investment in ChinaAMC.

The disposal of investment in associate of $16.0 million in 2023 represents the amount of accumulated other comprehensive income 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

Table 28: Accumulated Other Comprehensive Income (Loss)

($ millions)	Employee Benefits	Other Investments	Investment in Associates and Other	Total
2023				
Balance, January 1	**$ 4.4**	**$ 309.6**	**$ 48.8**	**$ 362.8**
Other comprehensive income (loss)	**(18.4)**	**85.1**	**(96.5)**	**(29.8)**
Disposal of investment in associate	**–**	**–**	**(16.0)**	**(16.0)**
Transfer out of fair value through other comprehensive income	**–**	**(0.7)**	**–**	**(0.7)**
Balance, December 31	**$ (14.0)**	**$ 394.0**	**$ (63.7)**	**$ 316.3**
2022				
Balance, January 1	$ (95.6)	$ 919.1	$ 59.6	$ 883.1
Other comprehensive income (loss)	100.0	(585.5)	(10.8)	(496.3)
Transfer out of fair value through other comprehensive income	–	(24.0)	–	(24.0)
Balance, December 31	$ 4.4	$ 309.6	$ 48.8	$ 362.8

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 $9.1 billion at December 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 $2.4 billion at December 31, 2023, compared to $2.1 billion at 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. The increase in long-term debt resulted from the issuance on May 26, 2023, of $300.0 million 5.426% debentures maturing May 26, 2053. The offering was made pursuant to a prospectus supplement to IGM Financial's short form base shelf prospectus dated December 7, 2022. The net proceeds were used by IGM Financial to fund a portion of the purchase price in connection with the acquisition of the 20.5% equity interest in Rockefeller and for general corporate purposes.

The Company commenced a Normal Course Issuer Bid (NCIB) on December 21, 2023 to purchase for cancellation up to 3 million of its common shares. The program will be used to mitigate the dilutive effect of stock options issued under the Company's stock option plan and for other capital management purposes. The Company's previous NCIB expired on February 28, 2023, and the Company has not repurchased any shares in the last 12 months.

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

Other activities in 2023 included the declaration of common share dividends of $535.7 million or $2.25 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. Morningstar DBRS current rating on the Company's senior unsecured debentures is "A (High)" with a stable rating trend.

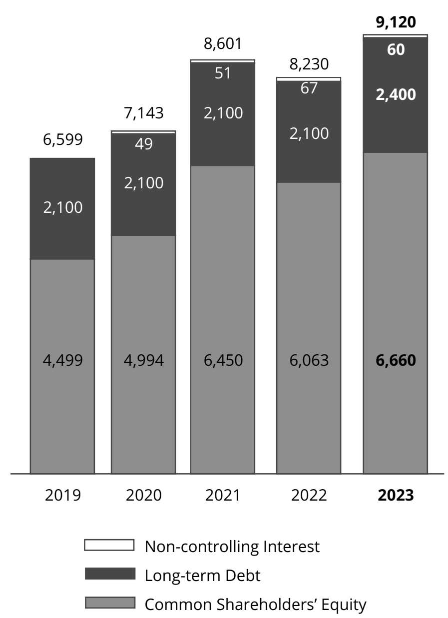
Credit ratings are intended to provide investors with an independent measure of the credit quality of the securities of a company and are indicators of the likelihood of payment and the capacity of a company to meet its obligations in accordance with the terms of each obligation. Descriptions of the 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

Capital

As at December 31 ($ millions)



PART C
IGM FINANCIAL INC.

on the 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 Morningstar DBRS is the fifth highest of the 22 ratings used for long-term debt. Under the Morningstar DBRS 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. Entities in the A (High) category may be vulnerable to future events, but qualifying negative factors are considered manageable.

Financial Instruments

Table 29 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, credit facility, 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 25 of the Consolidated 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 twelve months ended December 31, 2023.

Table 29: Financial Instruments

	December 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	**$ 721.4**	**$ 721.4**	$ 602.6	$ 602.6
– Fair value through profit or loss	**142.2**	**142.2**	171.9	171.9
Derivative financial instruments	**42.7**	**42.7**	63.7	63.7
Financial assets recorded at amortized cost				
Loans				
– Amortized cost	**5,108.7**	**5,070.8**	5,021.5	4,905.5
Financial liabilities recorded at fair value				
Derivative financial instruments	**49.6**	**49.6**	51.6	51.6
Financial liabilities recorded at amortized cost				
Deposits and certificates	**3,344.2**	**3,344.2**	4,334.0	4,334.0
Obligations to securitization entities	**4,687.8**	**4,695.7**	4,610.4	4,544.6
Long-term debt	**2,400.0**	**2,453.4**	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 Risk, Compliance and Internal Audit functions.

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 appetite, 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 human resources and talent practices and policies including compensation.
- 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 and Mackenzie Investments, the Chief Financial Officer, the General Counsel, the Chief Operating Officer, the Chief Human Resources Officer, and the Chief Risk Officer, who reports to the Chief Executive Officer of IGM Financial. 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 Executive Risk Management Committee.

Second Line of Defence

The Risk function, overseen by the Chief Risk Officer, provides oversight, analysis and reporting to the Executive 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 risk management program and framework, ii) managing the 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 functions which are responsible for ensuring compliance with policies, laws and regulations.

Third Line of Defence

The Internal Audit function 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

The Executive 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.

The Risk Appetite Framework facilitates the alignment of business strategy with risk appetite, supports capital deployment assessments, and supports the identification, mitigation, and management of risks.

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 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 Risk function. The Risk function promotes and coordinates communication and consultation to support effective risk management and escalation. The Risk function regularly reports on the results of risk assessments and on the assessment process to the Executive Risk Management Committee and to the Risk Committee.

Risk Management Culture

Risk management is everyone's responsibility within the organization. The Risk function engages all business units in risk workshops and surveys to foster awareness and to incorporate our risk framework into business activities.

We have an established business planning process which reinforces our risk management culture. Our compensation programs are typically objectives-based, 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.

Risks are identified based on our established methodology, considering factors both internal and external to the organization. These risks are broadly grouped into three categories: financial, operational, and strategic and business.

1) Financial Risk

This is the risk of financial loss related to AUM&A and advisement, liquidity and funding risk, credit risk, or market risk.

Risks Related to AUM&A

At December 31, 2023, IGM Financial's AUM&A were $240.2 billion compared to $224.2 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 AUM&A. AUM&A levels are impacted by both net sales and changes in the market.

Global markets by their nature are subject to uncertainty and a variety of risks. Movement in equity market prices, foreign exchange rates, real asset values, interest rates/credit spreads, or other asset values could cause the Company's AUM&A, revenue and earnings to decline. A general economic downturn, market volatility, client rebalancing, poor investment performance, or a lack of investor confidence could also lead to lower sales, higher redemption levels and lower AUM&A.

The Company believes that exposure to investment returns on its client portfolios is beneficial over the long term to financial results and consistent with stakeholder expectations, and therefore does not typically engage in risk transfer activities such as hedging in relation to these exposures.

The Company's exposure to market risk aligns with the experience of its clients. AUM are broadly diversified by asset class, geographic region, industry sector, investment team and style. The Company regularly reviews the sensitivity of its AUM, revenues, earnings and cash flow to changes in financial markets.

Domestic and foreign equity securities are exposed to equity price risk which may negatively impact AUM&A, revenues and earnings. Equity price risk can be classified into two categories: general equity risk and issuer-specific risk. The Company's internal and external fund managers reduce exposure to issuer-specific risks through diversification.

Fixed-income securities are exposed to interest rate risk. An increase in interest rates causes market prices of fixed-income securities to fall while a decrease in interest rates causes market prices to rise, thus impacting AUM&A, revenue and earnings.

Foreign currency denominated securities are exposed to foreign exchange risk. A depreciation in foreign currency versus the Canadian dollar will cause the Canadian value of securities to fall while an appreciation in foreign currency versus the Canadian dollar will cause the Canadian value of securities to rise, thus impacting AUM&A, revenue and earnings.

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 profile is structured to ensure we have sufficient liquidity to satisfy current and prospective requirements in both normal and stressed conditions. 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 and funding risks 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

Table 30: IGM Financial AUM – Asset and Currency Mix

As at December 31, 2023	Investment Funds	Total
Cash	**0.8 %**	**2.1 %**
Short-term fixed income and mortgages	**4.1**	**4.0**
Other fixed income	**22.6**	**22.5**
Domestic equity	**20.5**	**25.4**
Foreign equity	**49.7**	**44.2**
Real Property	**2.3**	**1.8**
	100.0 %	**100.0 %**
CAD	**50.3 %**	**56.9 %**
USD	**33.5**	**29.7**
Other	**16.2**	**13.4**
	100.0 %	**100.0 %**

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 accesses the unsecured long-term debt markets for corporate purposes, and ensures a well-diversified maturity structure to manage associated funding risks.

The Company's contractual obligations are reflected in Table 31.

The maturity schedule for long-term debt of $2.4 billion is reflected in the accompanying chart (Long-Term Debt Maturity Schedule).

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 $800 million at December 31, 2023, compared to $825 million at December 31, 2022. The lines of credit at December 31, 2023 consisted of committed lines of $650 million and uncommitted lines of $150 million, compared to $650 million and $175 million at December 31, 2022. Any advances made by a bank under the uncommitted lines of credit are at the bank's sole discretion.

As at December 31, 2023 and December 31, 2022, the Company was not utilizing its committed lines of credit or its uncommitted lines of credit.

Schedule I Canadian chartered banks have provided the Company with a non-revolving term loan facility related to the proceeds on the sale of IPC. The term loan facility was repaid prior to the sale of IPC.

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 year, the Company has made cash contributions of $3.7 million (2022 – $11.5 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 until the next actuarial valuation which is expected to be as at December 31, 2025. 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 are sufficient to

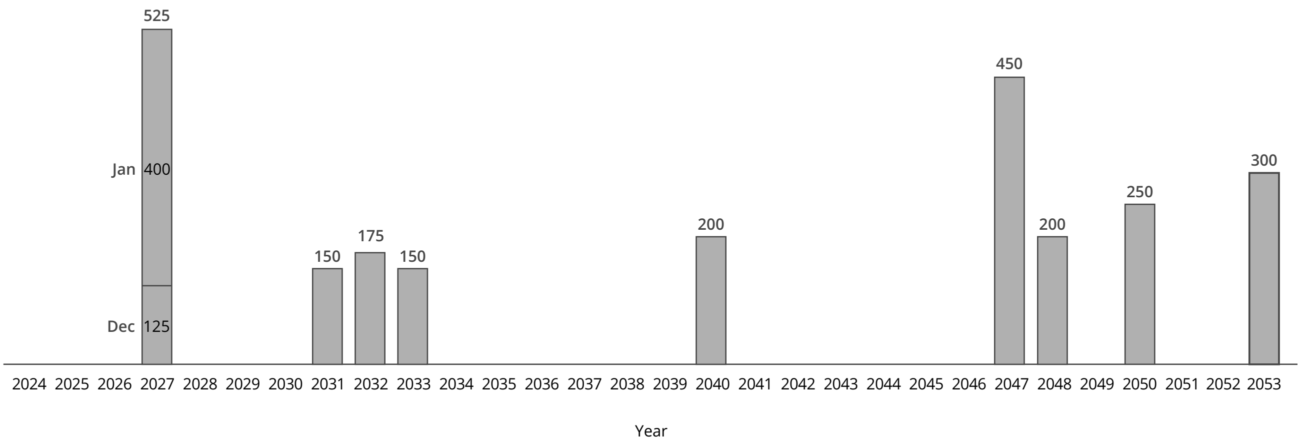
Table 31: Contractual Obligations

As at December 31, 2023 *($ millions)*	Demand	Less than 1 Year	1–5 Years	After 5 Years	Total
Derivative financial instruments	$ –	$ 11.4	$ 38.2	$ –	$ 49.6
Deposits and certificates[(1)]	3,342.8	0.3	0.5	0.6	3,344.2
Obligations to securitization entities	–	937.1	3,737.5	13.2	4,687.8
Leases[(2)]	–	29.2	84.2	96.9	210.3
Long-term debt	–	–	525.0	1,875.0	2,400.0
Total contractual obligations	**$ 3,342.8**	**$ 978.0**	**$ 4,385.4**	**$ 1,985.7**	**$ 10,691.9**

(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.

Long-Term Debt Maturity Schedule

($ millions)



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 market risk 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 is exposed to credit risk through its cash and cash equivalents, client funds on deposit, mortgage portfolio, and use of over-the-counter derivatives. 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 December 31, 2023, cash and cash equivalents of $544.6 million (2022 – $1,072.9 million) consisted of cash balances of $216.5 million (2022 – $346.3 million) on deposit with Canadian chartered banks and cash equivalents of $328.1 million (2022 – $726.6 million). Cash equivalents are comprised of Government of Canada treasury bills totalling $0.5 million (2022 – $81.6 million), provincial government treasury bills and promissory notes of $36.4 million (2022 – $306.8 million), bankers' acceptances of $291.2 million (2022 – $293.2 million) and other corporate commercial paper of nil (2022 – $45.0 million).

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.

IG Wealth Management's client funds on deposit of $3,365.7 million (2022 – $4,029.7 million) are held with Schedule I chartered banks and approximately 93% of the deposits were insured by the Canada Deposit Insurance Corporation at December 31, 2023.

Mortgage Portfolio

At December 31, 2023, residential mortgages, recorded on the Company's balance sheet, of $5.1 billion (2022 – $5.0 billion) consisted of $4.7 billion sold to securitization programs (2022 – $4.6 billion), $375.5 million held pending sale or securitization (2022 – $371.9 million) and $11.5 million related to the Company's intermediary operations (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 Advisors 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 $2.4 billion (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 $2.3 billion (2022 – $2.1 billion) is limited to amounts held in cash reserve accounts and future net interest income, the fair values of which were $58 million (2022 – $55.2 million) and $37 million (2022 – $21.3 million), respectively, at December 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 December 31, 2023, residential mortgages recorded on balance sheet were 50.7% insured (2022 – 53.3%). At December 31, 2023, impaired mortgages on these portfolios were $3.1 million, compared to $2.2 million at December 31, 2022. Uninsured non-performing mortgages over 90 days on these portfolios were $2.8 million at December 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 $0.7 million at December 31, 2023, decreased from $0.8 million at 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 if its counterparties fail to fulfil their obligations under these arrangements.

The Company's derivative activities are managed in accordance with its Derivative 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 $51.2 million (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 $3.7 million at December 31, 2023 (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 December 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 Notes 2, 7, 8 and 24 to the Consolidated 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 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 $7.7 million (December 31, 2022 – $20.5 million) and an outstanding notional amount of $0.2 billion at December 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 $12.5 million (December 31, 2022 – negative $19.6 million), on an outstanding notional amount of $1.4 billion at December 31, 2023 (December 31, 2022 – $1.3 billion). The net fair value of these swaps of negative $4.8 million at December 31, 2023 (December 31, 2022 – positive $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 negative $1.1 million (December 31, 2022 – positive $4.7 million) on an outstanding notional amount of $181.5 million at December 31, 2023 (December 31, 2022 – $191.6 million).

As at December 31, 2023, the impact to annual net earnings of a 100 basis point increase in interest rates would have been an increase of approximately $0.5 million (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 $0.9 billion at December 31, 2023 (December 31, 2022 – $0.8 billion), as shown in Table 22, and the carrying value of the investment in associates was $3.7 billion at December 31, 2023 (December 31, 2022 – $2.1 billion).

The Company sponsors a number of deferred compensation arrangements 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 and Rockefeller. Changes to the carrying value due to changes in foreign exchange rates are recognized in Other comprehensive income. As at December 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 $128.1 million ($141.6 million).

The Company's proportionate share of ChinaAMC's and Rockefeller's earnings, recorded in Proportionate share of associates' earnings in the Consolidated Statements of Earnings, is also affected by changes in foreign exchange rates. For the year ended December 31, 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 by approximately $4.9 million ($5.4 million).

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.

We are exposed to a broad range of operational risks, including information security and system failures, errors relating to transaction processing, financial models and valuations, failure of key third parties, fraud and misappropriation of assets, and inadequate application of internal control processes.

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 Risk, Compliance, and Internal Audit functions.

The Company's insurance governance process includes oversight by the Insurance Steering Committee and senior executives. As part of this process, the nature and extent of the Company's insurance is regularly reviewed to ensure coverage remains appropriate and complies with relevant laws, regulations, and contractual agreements.

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.

Technology and Cyber Risk

This is the risk related to unplanned downtime on critical business processes, loss of customer/business data and/or the misalignment between the technology capabilities of the organization and its business strategy.

Technology underpins our business operations and the client, employee and advisor experience. As a result, we are exposed to cyber security risks such as identity theft, compromise of technology systems and malicious software attacks. Globally, the volume of these activities has increased and could compromise confidential information of the Company and its clients or other stakeholders and result in other negative consequences including lost revenue, litigation, regulatory scrutiny or reputational damage. Our enterprise-wide cyber security programs, benchmarking of capabilities to sound industry practices, and threat and vulnerability assessment and response capabilities provide resiliency in addressing this risk.

Third Party Risk

This is the risk that exists due to the use of external parties to assist or wholly perform activities necessary to the operations and strategy of the business.

We regularly engage third parties to provide expertise and efficiencies that support our operational activities. Our exposure to third party risk could include reputational, regulatory and other operational risks. Policies, standard operating procedures and dedicated resources, including a supplier code of conduct and material outsourcing policy, have been developed and implemented to specifically address third party risk. We perform due diligence and monitoring activities before entering into contractual relationships with third parties and on an ongoing basis. As our reliance on third parties continues to grow, we continue to enhance resources and processes to support third party risk management.

Model Risk

This is the risk of financial loss or reputational harm resulting from conclusions and decisions based on incorrect or misused models.

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 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.

The Company 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 new single self-regulatory organization, the Canadian Investment Regulatory Organization (CIRO). 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 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.

The Company 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.

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.

If we need to share clients' personal information with third parties, 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. This action was certified in January 2024. In August 2022, a second proposed class action concerning the same subject matter was filed against Mackenzie.

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. The Company has notified impacted clients and offered credit monitoring at no cost for two years to all clients. Four proposed class actions have been filed against Mackenzie concerning this incident.

Although it is difficult to predict the outcome of any such legal actions, based on current knowledge, 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.

People Risk

This risk refers to the potential inability to: attract or retain employees or Wealth Management advisors; have a diverse, equitable and inclusive workforce; provide development opportunities to achieve current and future business objectives; support employee wellbeing and engagement; and sustain ongoing personnel or business succession and/or transition plans.

We manage this risk through competitive compensation and benefit offerings, training and development programs, and periodic employee and advisor surveys.

We have a Diversity, Equity and Inclusion Strategy with the purpose of driving an inclusive, equitable and consistent experience for employees, Wealth Management advisors, 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.

Business Continuity Management

This is the risk that the organization cannot effectively recover and maintain critical business processes in the event of a disruption (internal, third-party, physical or natural circumstances) or respond to a crisis or emergency event.

A business continuity management program ensures the Company's critical processes function in the event of a business disruption.

The Company's crisis response plan outlines policies and procedures to address situations that could significantly impact the organization's reputation, brands or business operations. A crisis assessment team comprised of senior leadership is responsible for setting strategy, overseeing response and ensuring appropriate subject matter experts are engaged in scenario-dependent crisis response teams.

On a regular basis, the Company tests business continuity and disaster recovery plans as well as conducting crisis simulation exercises.

3) Strategic and Business Risk

This is the risk of potential adverse impacts resulting from factors in the external environment or related to the strategy or specific business activities of the Company.

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 AUM, as described more fully under the Risks Related to AUM&A 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 32 and are discussed in the Wealth Management and the Asset Management Segment Operating Results sections of this MD&A.

Strategy Setting

This is the risk of failing to set or meet appropriate strategic objectives resulting in an impact on business performance.

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 two operating companies – Investors Group Inc., and Mackenzie Financial Corporation – 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.

Competitive Risk

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,

Table 32: Twelve Month Trailing Redemption Rate for Long-term Funds

	2023 Dec. 31	2022 Dec. 31
IGM Financial Inc.		
IG Wealth Management	**12.2 %**	10.0 %
Mackenzie	**17.1 %**	16.0 %

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 AUM 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 AUM 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 derives all of its investment fund sales, insurance sales, and mortgage and banking 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, as well as our culture and ability to attract key advisors. 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.

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.

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. In July, 2023, the China Securities Regulatory Commission (CSRC) initiated a work plan for the fee reform of the mutual fund industry, which the CSRC has indicated is designed to continue to promote the high-quality development of the Chinese investment fund industry. Concurrently, ChinaAMC announced fee reductions on certain mutual funds. These reductions reduce the revenues of ChinaAMC and impact the earnings that IGM Financial recognizes related to its investment in ChinaAMC. These changes are not expected to be material to IGM Financial. We believe these changes will help encourage broader participation of retail and institutional investors in the development of a fast growing industry. 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

This risk refers to the potential that desired objectives are not attained from the Company's 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 AUM, clients, and key employees of an acquired company.

Natural or Human Caused Disasters

This is 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 AUM&A. 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.

Environmental and Social Risk (Including Climate Change)

This is the potential for financial loss or other unfavourable impacts resulting from the Company's inability to manage or respond to changing 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.

On June 26, 2023, the International Sustainability Standards Board (ISSB) issued its first two sustainability standards: IFRS S1 – *General Requirements for Disclosure of Sustainability-related Financial Information* (IFRS S1) and IFRS S2 – *Climate-related Disclosures* (IFRS S2). IFRS S1 sets out the general requirements for disclosing material information about sustainability-related risks and opportunities to meet investor information needs, and IFRS S2 sets out specific disclosure requirements for climate-related risks and opportunities and is designed to be used with IFRS S1. The effective date in Canada is currently unknown; however, the standards could apply to the Company as early as December 31, 2024 subject to adoption by the Canadian Securities Administrators. The Company will continue to monitor any updates and future developments.

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.

The Company's Executive Risk Management Committee is responsible for oversight of the risk management process, including E&S and climate change risks. The Executive Sustainability Committee is responsible for ensuring central management governance for sustainability across IGM, including policy and strategy, goals and targets, measuring progress, and reviewing public reports and disclosures.

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 environmental, social and governance (ESG) issues into their investment decision making and active ownership processes. In addition, our operating companies have implemented Sustainable Investment Policies outlining the practices at each company.

IGM Financial reports annually on sustainability management and performance in its Sustainability Report available on our website.

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.

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. Various global regulators and standard setting bodies, including the International Sustainability Standards Board, are publishing guidelines and standards aligned with the TCFD recommendations.

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.

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, including climate.

Through its Risk Committee, the Board is responsible for ensuring that material ESG and climate-related risks are appropriately identified, managed and monitored. Its responsibilities include ensuring that appropriate procedures are in place to identify and manage risks and establish risk tolerances; ensuring that appropriate policies, procedures and controls are implemented to manage risks; and reviewing the risk management process on a regular basis to confirm that it is functioning effectively.

Senior management at each of our operating companies have primary ownership and accountability for the ongoing climate risk and opportunity management associated with their respective activities. Our Executive Risk Management and Executive Sustainability Committees perform oversight functions, and our Chief Risk Officer oversees implementation of the Corporate Sustainability and Risk Management programs, reporting into the President and Chief Executive Officer.

Other management committees and working groups also oversee climate-related governance across the Company.

Strategy

Through IGM Financial's wealth and asset management businesses, the company plays a role in the global transition to a low-carbon economy, 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.

IG Wealth Management and Mackenzie, and their investment sub-advisors, are signatories to the PRI. Under the PRI, investors formally commit to incorporate ESG issues, including climate change, into their investment decision making and active ownership processes. In addition, IG Wealth Management and Mackenzie have implemented sustainable investing policies outlining the practices at their respective companies.

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's Sustainability Centre of Excellence who bring focus to ESG and climate within asset management. Mackenzie has expanded its suite of funds investing to directly support the transition to a low-carbon economy through its acquisition of Greenchip, an investment boutique which is exclusively focused on thematic investing to combat climate change; the launch of the Betterworld team in 2021, that invests in companies making a positive impact on the people and the planet, and funds prioritizing sustainability and ESG-labelled debt, including green bonds.

IG Wealth Management has integrated environmental and climate issues into its sub-advisory selection and oversight processes, and product development strategy. In 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 tools for our investment funds to enhance our quantitative assessment of climate risks by analyzing emissions and other climate-related information at the investee company, asset class 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

The identification and assessment of risks, including climate change, is coordinated through the Risk function who provide oversight, analysis and reporting on the level of risks relative to the established risk appetite of the Company. The Risk function identifies possible risks that could impact our business through methods such as: (i) risk workshops with business units across the organization, (ii) risk surveys completed by senior leaders and business unit management, (iii) discussions with key stakeholders and business partners, and (iv) by conducting research on emerging risks and internal and external events impacting our business. 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 three categories: financial, operational, and strategic/business risks. Climate risk is captured under strategic risks, but we are also increasingly focused on defining the relationship of climate risk to other risks.

Once identified, possible risks are assessed by taking into consideration both the likelihood and severity of the impact of the risk event using a standard set of assessment criteria including consideration of financial, reputational, operational, and regulatory/compliance impact. Based on the assessment, the Risk function will consider our risk appetite and work with the business to put in place measures to mitigate, transfer, or accept the risk or capitalize on opportunities.

Risk assessments are monitored and reviewed on an ongoing basis by business units and by oversight areas including the Risk function. The Risk function promotes and coordinates communication and consultation to support effective risk management and escalation. It regularly reports on the results of risk assessments and on the assessment process to the Executive Risk Management Committee and to the Board Risk Committee.

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. We have focused on developing resources and tools to assess climate-related risks and opportunities for our Mackenzie managed equity portfolios. Through these tools we can assess historical greenhouse gas emissions data and portfolio temperature alignment to identify the highest emitters and inform engagement activities with companies facing transition risks. At IG Wealth Management, 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 through direct conversations between portfolio managers and companies/issuers; through Mackenzie firm-wide engagements; and through collaborations with peers on initiatives where the collective investor voice has more influence. 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 Wealth Management 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. Mackenzie Investments also joined the Net Zero Asset Managers initiative.

At Mackenzie, each boutique investment team is responsible for integrating ESG into its investment process, including determining appropriate GHG emissions and other metrics to assess climate-related risks and opportunities in investment strategies. The teams have access to ESG data tools and metrics to support their assessment.

We currently report Scope 1, 2 and 3 GHG emissions, where possible, including a portion of our Scope 3 investment emissions and weighted average carbon intensity. We are continuing to expand and enhance our measurement and reporting of emissions related to our investment portfolios as tools and information improves.

The Financial Services Environment

Canadians held $6.2 trillion in discretionary financial assets with financial institutions at December 31, 2022 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% ($4.0 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 $2.2 trillion held outside of a financial advisory relationship, approximately 60% 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 38% of Canadian discretionary financial assets or $2.4 trillion resided in investment funds at December 31, 2022, 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 73% 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 AUM at December 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 December 31, 2023.

The Canadian mutual fund industry continues to be very concentrated, with the 10 largest firms and their subsidiaries representing 71% of industry long-term mutual fund assets and 70% of total mutual fund AUM at December 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

IG Wealth Management competes 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. Mackenzie Investments competes directly with other investment managers for AUM, 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 one of Canada's largest financial planning organizations, IG Wealth Management, 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

The preparation of financial statements in accordance with IFRS requires management to exercise judgment in the process of applying accounting policies and requires management to make estimates and assumptions that affect amounts reported in the Consolidated Financial Statements and accompanying notes. In applying these policies, management makes subjective and complex judgments that frequently require estimates about matters that are inherently uncertain. Many of these policies are common in the financial services industry; others are specific to IGM Financial's businesses and operations. IGM Financial's significant accounting policies are described in detail in Note 2 of the Consolidated Financial Statements.

Critical accounting estimates relate to the fair value of financial instruments, goodwill and intangibles, income taxes, capitalized sales commissions, provisions and employee benefits.

The major critical accounting estimates are summarized below:

- *Fair value of financial instruments* – The Company's financial instruments are carried at fair value, except for loans, deposits and certificates, obligations to securitization entities, and long-term debt which are all carried at amortized cost. The fair value of publicly traded financial instruments is determined using published market prices. The fair value of financial instruments where published market prices are not available, including Corporate investments and derivatives related to the Company's securitized loans, are determined using various valuation models which maximize the use of observable market inputs where available. Valuation methodologies and assumptions used in valuation models are reviewed on an ongoing basis. Changes in these assumptions or valuation methodologies could result in significant changes in net earnings.

- *Goodwill and intangible assets* – Goodwill, indefinite life intangible assets, and definite life intangible assets are reflected in Note 13 of the Consolidated Financial Statements. The Company tests the fair value of goodwill and indefinite life intangible assets for impairment at least once a year and more frequently if an event or circumstance indicates the asset may be impaired. An impairment loss is recognized if the amount of the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash generating units). Finite life intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable.

  These tests involve the use of estimates and assumptions appropriate in the circumstances. In assessing the recoverable amounts, valuation approaches are used that include discounted cash flow analysis and application of capitalization multiples to financial and operating metrics based upon precedent acquisition transactions and trading comparables. Assumptions and estimates employed include future changes in AUM resulting from net sales and investment returns, pricing and profit margin changes, discount rates, and capitalization multiples.

  The Company completed its annual impairment tests of goodwill and indefinite life intangible assets as at April 1, 2023 financial information and determined there was no impairment in the value of those assets.

- *Income taxes* – The provision for income taxes is determined on the basis of the anticipated tax treatment of transactions recorded in the Consolidated Statements of Earnings. The determination of the provision for income taxes requires interpretation of tax legislation in a number of jurisdictions. Tax planning may allow the Company to record lower income taxes in the current year and income taxes recorded in prior years may be adjusted in the current year to reflect management's best estimates of the overall adequacy of its provisions. Any related tax benefits or changes in management's best estimates are reflected in the provision for income taxes. The recognition of deferred tax assets depends on management's assumption that future earnings will be sufficient to realize the future benefit. The amount of the deferred tax asset or liability recorded is based on management's best estimate of the timing of the realization of the assets or liabilities. If our interpretation of tax legislation differs from that of the tax authorities or if timing of reversals is not as anticipated, the provision for income taxes could increase or decrease in future periods. Additional information related to income taxes is included in the Summary of Consolidated Operating Results in this MD&A and in Note 17 to the Consolidated Financial Statements.

- *Capitalized sales commissions* – Commissions paid directly by the client based upon the level of new assets contributed to client accounts at IG Wealth Management are deferred and amortized over a maximum period of seven years. The Company regularly reviews the carrying value of capitalized sales commissions with respect to any events or circumstances that indicate impairment. Among the tests performed by the Company to assess recoverability is the comparison of the future economic benefits derived from the capitalized sales commission asset in relation to its carrying value. At December 31, 2023, there were no indications of impairment to capitalized sales commissions.

- *Provisions* – A provision is recognized when there is a present obligation as a result of a past transaction or event, it is “probable” that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the obligation. In determining the best estimate for a provision, a single estimate, a weighted average of all possible outcomes, or the midpoint where there is a range of equally possible outcomes are all considered. A significant change in assessment of the likelihood or the best estimate may result in additional adjustments to net earnings.

- *Employee benefits* – The Company maintains a number of employee benefit plans. These plans include a funded registered defined benefit pension plan (RPP) for all eligible employees, unfunded supplementary executive retirement plans for certain executive officers (SERPs) and an unfunded post-employment health care and life insurance plan for eligible retirees. The funded registered defined benefit pension plan provides pensions based on length of service and final average earnings. The measurement date for the Company’s defined benefit pension plan assets and for the accrued benefit obligations on all defined benefit plans is December 31.

  Due to the long-term nature of these plans, the calculation of the accrued benefit asset or liability depends on various assumptions including discount rates, rates of return on assets, the level and types of benefits provided, healthcare cost trend rates, projected salary increases, retirement age, mortality and termination rates. The discount rate assumption is determined using a yield curve of AA corporate debt securities. All other assumptions are determined by management and reviewed by independent actuaries who calculate the pension and other future benefits expenses and accrued benefit obligations. Actual experience that differs from the actuarial assumptions will result in actuarial gains or losses as well as changes in benefits expense. The Company records actuarial gains and losses on all of its defined benefit plans in Other comprehensive income.

  Discount rates have decreased since December 31, 2022. The discount rate on the Company’s RPP at December 31, 2023 was 4.65% compared to 5.25% at December 31, 2022. The pension plan assets increased to $536.0 million at December 31, 2023 from $510.7 million at December 31, 2022 due to market appreciation. The total defined benefit pension plan obligation increased to $474.4 million at December 31, 2023 from $423.9 million at December 31, 2022, primarily due to the decrease in the discount rate. The defined benefit pension plan had an accrued benefit asset of $61.6 million at December 31, 2023 compared to an accrued benefit asset of $86.8 million at December 31, 2022. Actuarial gains or losses recorded in Other comprehensive income, including the defined benefit pension plan, the SERPs and post-employment benefit plans, were losses of $25.1 million ($18.4 million after tax) for the twelve months ended December 31, 2023.

  A decrease of 0.25% in the discount rate utilized in 2023 would result in a change of $20.4 million in the accrued pension obligation, $18.5 million in other comprehensive income, and $1.9 million in pension expense. Additional information regarding the Company’s accounting and sensitivities related to pensions and other post-retirement benefits is included in Notes 2 and 16 of the Consolidated Financial Statements.

Changes in Accounting Policies

IFRS 17 – Insurance Contracts (IFRS 17)

The IASB issued IFRS 17 which sets out the requirements for the recognition, measurement, presentation and disclosures of insurance contracts a company issues, reinsurance contracts it holds, and investment contracts with discretionary participation features issued. IFRS 17 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 affected the accounting for the carrying value of the Company’s investment in Lifeco and the amount that the Company records for its proportionate share of associate’s earnings. In the fourth quarter of 2022, Lifeco disclosed that the adoption of IFRS 17 and IFRS 9 was expected to decrease its total equity by $3.4 billion as at January 1, 2022. Accordingly, the Company 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. In the second quarter of 2023, the Company revised its estimate, on a prospective basis, using the final Lifeco disclosed impact of IFRS 17 and IFRS 9 by decreasing the gain on sale of Lifeco shares by $6.2 million and increasing the proportionate share of associate’s earnings by $15.1 million.

Additional information of the impact on Lifeco is available in its public disclosures.

IAS 12 – Income Taxes

The Company adopted the amendments to IFRS for IAS 12 – *Income Taxes* effective May 2023 and has applied the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two model rules published by the Organization for Economic Co-operation and Development (OECD).

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.

Disclosure Controls and Procedures

The Company's disclosure controls and procedures are designed to provide reasonable assurance that (a) material information relating to the Company is made known to the President and Chief Executive Officer and the Chief Financial Officer by others, particularly during the period in which the annual filings are being prepared, and (b) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

The Company's management, under the supervision of the President and Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures. Based on their evaluations as of December 31, 2023, the President and Chief Executive Officer and the Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective.

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 adequate internal control over financial reporting.

All internal control systems have inherent limitations and may become inadequate 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.

The Company's management, under the supervision of the President and Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of the Company's internal control over financial reporting based on the Internal Control – Integrated Framework (COSO 2013 Framework) published by The Committee of Sponsoring Organizations of the Treadway Commission. The Company transitioned to the COSO 2013 Framework during 2014. Based on their evaluations as of December 31, 2023, the President and Chief Executive Officer and the Chief Financial Officer have concluded that the Company's internal control over financial reporting is effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Notwithstanding the above, during the fourth 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

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

- During 2023 and 2022, the Company provided to and received from Canada Life certain administrative services enabling each organization to take advantage of economies of scale and areas of expertise.
- The Company distributes insurance products under a distribution agreement with Canada Life and received $51.7 million in distribution fees (2022 – $48.7 million). The Company received $59.8 million (2022 – $61.4 million) and paid $19.5 million (2022 – $19.5 million) to Canada Life and related subsidiary companies for the provision of sub-advisory services for certain investment funds. No fees were paid to Canada Life related to the distribution of certain mutual funds of the Company in 2023 (2022 – $0.6 million).

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

On November 30, 2023, the Company completed the sale of 100% of IPC to Canada Life.

The acquisition and sale transactions were recorded at fair value.

For further information on transactions involving related parties, see Notes 3, 10 and 28 to the Company's Consolidated Financial Statements.

Outstanding Share Data

Outstanding common shares of IGM Financial as at December 31, 2023 totalled 238,131,738. Outstanding stock options as at December 31, 2023 totalled 10,902,118 of which 6,924,596 were exercisable. As at February 9, 2024, outstanding common shares totalled 238,136,813 and outstanding stock options totalled 10,823,003 of which 6,845,481 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.sedarplus.ca.

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Consolidated Financial Statements

Independent Auditor's Report

To the Shareholders of IGM Financial Inc.

Opinion

We have audited the consolidated financial statements of IGM Financial Inc. (the "Company"), which comprise the consolidated balance sheets as at December 31, 2023 and 2022, and the consolidated statements of earnings, comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Key Audit Matters

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Other investments – Wealthsimple Financial Corp. ("Wealthsimple") — Refer to Notes 2, 6 and 25 to the financial statements

Key Audit Matter Description

The Company's Other investments balance includes an equity investment in Wealthsimple, which is recognized at fair value through other comprehensive income. Given that Wealthsimple is a private company, significant management judgment is required in the determination of the fair value of the investment. In determining fair value, a market approach using observable valuation metrics, including revenue multiples, and a discounted cash flow analysis were considered by management.

Significant management judgment was required in determining the most appropriate valuation approaches and inputs used in each, including revenue multiples applied in the market approach. Auditing the fair value of Wealthsimple required a high degree of auditor judgment which resulted in an increased extent of audit effort, including the use of fair value specialists.

How the Key Audit Matter Was Addressed in the Audit

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

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

Other Information

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

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

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

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

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

/s/ Deloitte LLP

Chartered Professional Accountants
Winnipeg, Manitoba
February 15, 2024

Consolidated Statements of Earnings

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

For the years ended December 31	**2023**	2022
Revenues		
Wealth management *(Note 4)*	**$ 2,199,681**	$ 2,159,870
Asset management	**949,041**	967,212
Dealer compensation expense	**(314,107)**	(327,521)
Net asset management *(Note 4)*	**634,934**	639,691
Net investment income and other	**37,646**	22,238
Gain on sale of Lifeco shares *(Notes 2, 10)*	**172,977**	–
Proportionate share of associates' earnings *(Note 10)*	**200,137**	210,762
	3,245,375	3,032,561
Expenses *(Note 5)*		
Advisory and business development	**1,006,252**	962,064
Operations and support	**905,704**	786,643
Sub-advisory	**65,731**	63,574
Interest *(Note 18)*	**123,231**	113,174
	2,100,918	1,925,455
Earnings before income taxes	**1,144,457**	1,107,106
Income taxes *(Note 17)*	**215,077**	245,948
Net earnings from continuing operations	**929,380**	861,158
Net earnings from discontinued operations *(Note 3)*	**223,131**	11,420
Net earnings	**1,152,511**	872,578
Non-controlling interest *(Notes 3, 10)*	**(3,619)**	(5,334)
Net earnings available to common shareholders	**$ 1,148,892**	$ 867,244
Earnings per share *(in dollars) (Note 26)*		
Net earnings available to common shareholders from continuing operations		
– Basic	**$ 3.89**	$ 3.59
– Diluted	**$ 3.88**	$ 3.58
Net earnings available to common shareholders		
– Basic	**$ 4.83**	$ 3.64
– Diluted	**$ 4.82**	$ 3.63

(See accompanying notes to consolidated financial statements)

PART C
IGM FINANCIAL INC.

Consolidated Statements of Comprehensive Income

(in thousands of Canadian dollars)

For the years ended December 31	**2023**	2022
Net earnings	**$ 1,152,511**	$ 872,578
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 6), net of tax of $(12,315) and $92,009*	**85,054**	(585,515)
Employee benefits		
Net actuarial gains (losses), *net of tax of $6,767 and $(36,950)*	**(18,378)**	100,049
Investment in associates – employee benefits and other		
Other comprehensive income (loss), *net of tax of nil*	**1,472**	12,689
Items that may be reclassified subsequently to Net earnings		
Investment in associates and other		
Other comprehensive income (loss), *net of tax of $6,751 and $2,541*	**(97,913)**	(23,508)
	(29,765)	(496,285)
Total comprehensive income	**$ 1,122,746**	$ 376,293

(See accompanying notes to consolidated financial statements)

Consolidated Balance Sheets

(in thousands of Canadian dollars)

As at December 31	**2023**	2022 Restated *(Note 2)*
Assets		
Cash and cash equivalents	**$ 544,633**	$ 1,072,892
Other investments *(Note 6)*	**863,598**	774,536
Client funds on deposit	**3,365,722**	4,347,354
Accounts and other receivables	**335,552**	368,806
Income taxes recoverable	**38,292**	15,544
Loans *(Note 7)*	**5,108,696**	5,021,483
Derivative financial instruments *(Note 24)*	**42,729**	63,665
Other assets *(Note 9)*	**112,474**	156,240
Investment in associates *(Note 10)*	**3,659,174**	2,051,303
Capital assets *(Note 11)*	**306,961**	326,288
Capitalized sales commissions *(Note 12)*	**394,736**	372,173
Deferred income taxes *(Note 17)*	**3,232**	1,419
Intangible assets *(Note 13)*	**1,250,712**	1,363,642
Goodwill *(Note 13)*	**2,636,771**	2,802,173
	$ 18,663,282	$ 18,737,518
Liabilities		
Accounts payable and accrued liabilities	**$ 444,690**	$ 504,373
Income taxes payable	**9,535**	7,922
Derivative financial instruments *(Note 24)*	**49,580**	51,581
Deposits and certificates *(Note 14)*	**3,344,190**	4,333,997
Other liabilities *(Note 15)*	**394,926**	355,577
Obligations to securitization entities *(Note 8)*	**4,687,827**	4,610,438
Lease obligations	**169,940**	192,793
Deferred income taxes *(Note 17)*	**442,186**	451,005
Long-term debt *(Note 18)*	**2,400,000**	2,100,000
	11,942,874	12,607,686
Shareholders' Equity		
Share capital *(Note 19)*		
Common shares	**1,690,626**	1,672,799
Contributed surplus	**57,926**	54,134
Retained earnings	**4,595,620**	3,973,456
Accumulated other comprehensive income (loss) *(Note 22)*	**316,290**	362,766
Non-controlling interest *(Note 10)*	**59,946**	66,677
	6,720,408	6,129,832
	$ 18,663,282	$ 18,737,518

These financial statements were approved and authorized for issuance by the Board of Directors on February 15, 2024.

Signed,
James O'Sullivan
Director

Signed,
John McCallum
Director

(See accompanying notes to consolidated financial statements)

Consolidated Statements of Changes in Shareholders' Equity

(in thousands of Canadian dollars)

	Share capital – Common shares *(Note 19)*	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss) *(Note 22)*	Non-controlling interest	Total shareholders' equity
2023						
Balance, beginning of year						
As previously reported	$ 1,672,799	$ 54,134	$ 4,106,714	$ 362,766	$ 66,677	$ 6,263,090
Change in accounting policy *(Note 2)*	–	–	(133,258)	–	–	(133,258)
As restated	1,672,799	54,134	3,973,456	362,766	66,677	6,129,832
Net earnings	–	–	1,152,511	–	–	1,152,511
Other comprehensive income (loss), net of tax	–	–	–	(29,765)	–	(29,765)
Total comprehensive income	–	–	1,152,511	(29,765)	–	1,122,746
Common shares						
Issued under stock option plan	17,827	–	–	–	–	17,827
Stock options						
Current period expense	–	4,744	–	–	–	4,744
Exercised	–	(952)	–	–	–	(952)
Common share dividends	–	–	(535,703)	–	–	(535,703)
Non-controlling interest	–	–	(3,619)	–	(6,731)	(10,350)
Disposal of investment in associate *(Note 10)*	–	–	(2,017)	(16,008)	–	(18,025)
Transfer out of fair value through other comprehensive income *(Note 6)*	–	–	703	(703)	–	–
Other	–	–	10,289	–	–	10,289
Balance, end of year	$ 1,690,626	$ 57,926	$ 4,595,620	$ 316,290	$ 59,946	$ 6,720,408
2022						
Balance, beginning of year						
As previously reported	$ 1,658,680	$ 51,069	$ 3,856,996	$ 883,083	$ 51,343	$ 6,501,171
Change in accounting policy *(Note 2)*	–	–	(133,258)	–	–	(133,258)
As restated	1,658,680	51,069	3,723,738	883,083	51,343	6,367,913
Net earnings	–	–	872,578	–	–	872,578
Other comprehensive income (loss), net of tax	–	–	–	(496,285)	–	(496,285)
Total comprehensive income	–	–	872,578	(496,285)	–	376,293
Common shares						
Issued under stock option plan	34,429	–	–	–	–	34,429
Purchased for cancellation	(20,310)	–	–	–	–	(20,310)
Stock options						
Current period expense	–	4,941	–	–	–	4,941
Exercised	–	(1,876)	–	–	–	(1,876)
Common share dividends	–	–	(536,069)	–	–	(536,069)
Non-controlling interest	–	–	(5,334)	–	15,334	10,000
Transfer out of fair value through other comprehensive income *(Note 6)*	–	–	24,032	(24,032)	–	–
Common share cancellation excess and other	–	–	(105,489)	–	–	(105,489)
Balance, end of year	$ 1,672,799	$ 54,134	$ 3,973,456	$ 362,766	$ 66,677	$ 6,129,832

(See accompanying notes to consolidated financial statements)

Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)

For the years ended December 31	**2023**	2022
Operating activities		
Earnings before income taxes from continuing and discontinued operations	**$ 1,366,999**	$ 1,122,943
Income taxes paid	**(222,681)**	(330,869)
Adjustments to determine net cash from operating activities		
Capitalized sales commission amortization	**94,160**	77,587
Capitalized sales commissions paid	**(116,646)**	(123,513)
Amortization of capital, intangible and other assets	**106,487**	103,994
Proportionate share of associates' earnings, net of dividends received	**(84,912)**	(106,262)
Pension and other post-employment benefits	**3,864**	5,855
Restructuring provisions and other	**103,266**	–
Gain on sale of Lifeco shares *(Note 10)*	**(172,977)**	–
Gain on sale of Investment Planning Counsel *(Note 3)*	**(220,703)**	–
Changes in operating assets and liabilities and other	**37,143**	(3,680)
Cash from operating activities before restructuring provision payments	**894,000**	746,055
Restructuring provision cash payments	**(56,720)**	(8,385)
	837,280	737,670
Financing activities		
Net decrease in deposits and certificates	**(96)**	(160)
Increase in obligations to securitization entities	**1,256,041**	1,171,025
Repayments of obligations to securitization entities and other	**(1,217,004)**	(1,626,896)
Repayment of lease obligations	**(24,142)**	(25,592)
Net proceeds on credit facility	**550,000**	–
Repayment of credit facility	**(550,000)**	–
Issue of debentures	**300,000**	–
Issue of common shares	**16,875**	42,553
Common shares purchased for cancellation	**–**	(115,667)
Common share dividends paid	**(535,443)**	(537,197)
	(203,769)	(1,091,934)
Investing activities		
Purchase of other investments	**(86,741)**	(150,508)
Proceeds from the sale of other investments	**80,835**	120,070
Increase in loans	**(1,203,239)**	(1,274,427)
Repayment of loans and other	**1,113,531**	1,584,354
Net additions to capital assets	**(28,763)**	(37,672)
Net cash used in additions to intangible assets and other	**(125,012)**	(107,107)
Investment in ChinaAMC *(Note 10)*	**(1,162,369)**	–
Investment in Rockefeller *(Note 10)*	**(857,690)**	–
Proceeds from sale of Lifeco shares *(Note 10)*	**552,655**	–
Proceeds from sale of Investment Planning Counsel, net of cash and cash equivalents of discontinued operations *(Note 3)*	**555,023**	–
	(1,161,770)	134,710
Decrease in cash and cash equivalents	**(528,259)**	(219,554)
Cash and cash equivalents from continuing and discontinued operations, beginning of year	**1,072,892**	1,292,446
Cash and cash equivalents, end of year	**$ 544,633**	$ 1,072,892
Cash	**$ 216,501**	$ 346,257
Cash equivalents	**328,132**	726,635
	$ 544,633	$ 1,072,892
Supplemental disclosure of cash flow information related to operating activities		
Interest and dividends received	**$ 305,617**	$ 253,558
Interest paid	**$ 275,743**	$ 201,741

(See accompanying notes to consolidated financial statements)

Notes to Consolidated Financial Statements

December 31, 2023 and 2022 ***(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 (Power).

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 material accounting policies

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

Use of judgment, estimates and assumptions

The preparation of financial statements in accordance with IFRS requires management to exercise judgment in the process of applying accounting policies and requires management to make estimates and assumptions that affect the amounts reported in the Consolidated Financial Statements. The key areas where judgment has been applied include: the determination of which financial assets should be derecognized; the assessment of the appropriate classification of financial instruments, including those classified as fair value through profit or loss; and the assessment that significant influence exists for its investment in associates. Key components of the financial statements requiring management to make estimates include: the fair value of financial instruments, goodwill, intangible assets, income taxes, capitalized sales commissions, provisions and employee benefits. Actual results may differ from such estimates. Further detail of judgments and estimates are found in the remainder of Note 2 and in Notes 6, 8, 10, 12, 13, 15, 16, 17 and 25.

Basis of consolidation

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

The Company's investments in Great-West Lifeco Inc. (Lifeco), China Asset Management Co., Ltd. (ChinaAMC), Rockefeller Capital Management (Rockefeller), and Northleaf Capital Group Ltd. (Northleaf) are accounted for using the equity method. The investments were initially recorded at cost and the carrying amounts are increased or decreased to recognize the Company's share of the investments' comprehensive income (loss) and the dividends received since the date of acquisition.

Changes in accounting policies

IFRS 17 – Insurance Contracts (IFRS 17)

The IASB issued IFRS 17 which sets out the requirements for the recognition, measurement, presentation and disclosures of insurance contracts a company issues, reinsurance contracts it holds, and investment contracts with discretionary participation features issued. IFRS 17 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 affected the accounting for the carrying value of the Company's investment in Lifeco and the amount that the Company records for its proportionate share of associate's earnings. In 2022, Lifeco disclosed that the adoption of IFRS 17 and IFRS 9 was expected to decrease its total equity by $3.4 billion as at January 1,

2022. Accordingly, the Company 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. In 2023, the Company revised its estimate, on a prospective basis, using the final Lifeco disclosed impact of IFRS 17 and IFRS 9, by decreasing the gain on sale of Lifeco shares by $6.2 million and increasing the proportionate share of associate's earnings by $15.1 million.

Additional information of the impact on Lifeco is available in its public disclosures.

Retained earnings at January 1, 2022 and 2023 also include an increase of $2.4 million, net of tax, due to other items.

IAS 12 – Income Taxes

The Company adopted the amendments to IFRS for IAS 12 – *Income Taxes* effective May 2023 and has applied the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two model rules published by the Organization for Economic Co-operation and Development (OECD).

Revenue recognition

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

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

Financial instruments

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

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

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

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

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

Cash and cash equivalents

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

Other investments

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

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

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

Loans

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

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

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

Derecognition

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

Sales commissions

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

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

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

Capital assets

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

Property and equipment

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

Right-of-use assets

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

Leases

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

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

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

Goodwill and intangible assets

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

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

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

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

Employee benefits

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

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

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

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

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

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

The accrued benefit asset represents the surplus related to defined benefit pension plan and is included in Other assets. The accrued benefit liability represents the deficit of the SERPs and post-employment health care plan and is included in Other liabilities.

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

Share-based payments

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

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

Provisions

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

Income taxes

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

Earnings per share

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

Derivative financial instruments

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

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

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

The Company enters into interest rate swaps as part of its mortgage banking and intermediary operations. These swap agreements require the periodic exchange of net interest payments without the exchange of the notional principal amount on which the payments are based. Swaps entered into to hedge the costs of funds on certain securitization activities are designated as hedging instruments (Note 24). The effective portion of changes in fair value are initially recorded in Other comprehensive income and subsequently recorded in Wealth management revenue in the Consolidated Statements of Earnings over the term of the associated Obligations to securitization entities. Remaining mortgage related swaps are not designated as hedging instruments and changes in fair value are recorded directly in Wealth management revenue in the Consolidated Statements of Earnings.

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

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

Offsetting of financial assets and liabilities

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

Future accounting changes

The Company continuously monitors changes proposed by the International Accounting Standards Board (IASB) and analyzes the effect that changes in the standards may have on the Company's operations.

Note 3. Discontinued operations

On November 30, 2023, the Company completed the sale of 100% of Investment Planning Counsel Inc. (IPC) to The Canada Life Assurance Company (Canada Life) for proceeds of $575 million plus adjustments. Canada Life is a subsidiary of the Company's affiliate, Lifeco, which is a subsidiary of Power.

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.

During 2023, Schedule I Canadian chartered banks provided the Company with a non-revolving credit facility related to the sale of IPC. The Company drew on the facility during 2023 and repaid the balance prior to the close of the IPC sale. Interest rates on the credit facility fluctuated with Canadian bankers' acceptances and the interest expense was recorded as part of discontinued operations in the Statements of Earnings.

As at November 30, 2023, IPC's total assets were $692.6 million, including $30.6 million of cash and cash equivalents, and total liabilities were $345.7 million.

Results from discontinued operations are included up to November 30, 2023.

Net earnings from discontinued operations

		2023		2022
Revenues				
Wealth management	$	**284,678**	$	305,436
Net asset management		**15,186**		17,422
Net investment income and other		**3,265**		1,830
		303,129		324,688
Expenses(1)		**300,288**		308,851
Earnings before income taxes		**2,841**		15,837
Income taxes		**413**		4,417
Net earnings		**2,428**		11,420
Gain on sale		**220,703**		–
Net earnings from discontinued operations		**223,131**		11,420
Non-controlling interest		**(150)**		(200)
Net earnings available to common shareholders from discontinued operations	$	**222,981**	$	11,220

(1) Includes interest expense allocation of $17.9 million in 2023.

Cash flows from discontinued operations

Included within the Company's cash flows are the following amounts attributable to discontinued operations:

		2023		2022
Net cash (used in) provided by:				
Operating activities	$	**53,083**	$	22,151
Financing activities		**(32,599)**		14,687
Investing activities		**(29,113)**		(30,806)
Net (decrease) increase in cash and cash equivalents	$	**(8,629)**	$	6,032

Note 4. Revenues from contracts with customers

		2023		2022
Advisory fees	$	**1,188,503**	$	1,140,306
Product and program fees		**883,958**		875,082
		2,072,461		2,015,388
Redemption fees		**1,031**		3,939
Other financial planning revenues		**126,189**		140,543
Wealth management		**2,199,681**		2,159,870
Asset management		**949,041**		967,212
Dealer compensation expense		**(314,107)**		(327,521)
Net asset management		**634,934**		639,691
Net revenues from contracts with customers	$	**2,834,615**	$	2,799,561

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. Expenses

	2023	2022
Commissions	$ 737,602	$ 721,636
Salaries and employee benefits	584,373	567,833
Restructuring and other	103,266	–
Occupancy	22,899	23,856
Amortization of capital, intangible and other assets	90,544	87,397
Other	373,272	347,985
	1,911,956	1,748,707
Sub-advisory	65,731	63,574
Interest	123,231	113,174
	$ 2,100,918	$ 1,925,455

In 2023, the Company incurred restructuring and other charges of $103.3 million ($76.2 million after-tax) resulting from streamlining and simplifying the business to more effectively align with business priorities. The charge includes the Company's changes to the organizational structure to advance the growing needs of the business, digital transformation by retiring duplicate systems and modernizing information technology and an effort to consolidate its real estate footprint to better reflect client and advisor needs.

Note 6. Other investments

	2023		2022	
	Cost	Fair value	Cost	Fair value
Fair value through other comprehensive income (FVTOCI)				
Corporate investments	$ 264,915	$ 721,379	$ 242,704	$ 602,612
Fair value through profit or loss (FVTPL)				
Equity securities	12,778	13,140	12,689	12,933
Proprietary investment funds	126,550	129,079	156,663	158,991
	139,328	142,219	169,352	171,924
	$ 404,243	$ 863,598	$ 412,056	$ 774,536

Fair value through other comprehensive income

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

The total fair value of Corporate investments of $721.4 million (2022 – $602.6 million) is presented net of certain costs incurred within the limited partnership structures holding the underlying investments.

Investment in Wealthsimple

Wealthsimple Financial Corp. (Wealthsimple) is a financial company that provides simple digital tools for growing and managing your money. The Company's investment in Wealthsimple is held through a limited partnership controlled by Power. The investment is classified at fair value through other comprehensive income. IGM Financial Inc. holds directly and indirectly a 24.7% interest in Wealthsimple (2022 – 24.3%) valued at $607 million at December 31, 2023 (2022 – $492 million). This change is largely due to a fair value increase of 20% and an incremental investment during the year. The increase in fair value is consistent with the increase in public market peer valuations, as well as Wealthsimple's business performance and revised revenue expectations. 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.

In 2022, realized gains of $27.8 million ($24.0 million after-tax) related to Other investments were transferred from Accumulated other comprehensive income to Other retained earnings.

Fair value through profit or loss

Proprietary investment funds

The Company manages and provides services and earns management and administration fees, in respect of investment funds that are not recognized in the Consolidated Balance Sheets. As at December 31, 2023, there were $169.6 billion in investment fund assets under management (2022 – $158.9 billion). The Company's investments in proprietary investment funds are classified on the Company's Consolidated Balance Sheets as fair value through profit or loss. These investments are generally made in the process of launching a new fund and are sold as third-party investors subscribe. The Company's maximum exposure to loss is limited to its direct investment in the proprietary investment funds.

Certain investment funds are consolidated where the Company has made the assessment that it controls the investment fund. As at December 31, 2023, the underlying investments related to these consolidated investment funds primarily consisted of cash and short-term investments of $9.0 million (2022 – $14.6 million), equity securities of $43.6 million (2022 – $97.5 million) and fixed income securities of $19.3 million (2022 – $22.3 million). The underlying securities of these funds are classified as FVTPL and recognized at fair value.

Note 7. Loans

	Contractual maturity				
	1 year or less	1 – 5 years	Over 5 years	2023 Total	2022 Total
Amortized cost					
Residential mortgages	$ 998,607	$ 4,109,077	$ 1,749	$ 5,109,433	$ 5,022,298
Less: Allowance for expected credit losses				737	815
				$ 5,108,696	$ 5,021,483
The change in the allowance for expected credit losses is as follows:					
Balance, beginning of year				$ 815	$ 648
Write-offs, net of recoveries				204	(689)
Change in expected credit losses				(282)	856
Balance, end of year				$ 737	$ 815

Total credit impaired loans as at December 31, 2023 were $3,131 (2022 – $2,159).

Total interest income on loans was $170.3 million (2022 – $138.8 million). Total interest expense on obligations to securitization entities, related to securitized loans, was $142.8 million (2022 – $102.8 million). Losses realized on the sale of residential mortgages totalled $3.6 million (2022 – losses of $3.5 million). Fair value adjustments related to mortgage banking operations totalled negative $8.0 million (2022 – negative $3.1 million). These amounts were included in Wealth management revenue. Wealth management revenue also includes other mortgage banking related items including portfolio insurance, issue costs, and other items.

Note 8. 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 $4.8 million at December 31, 2023 (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
2023			
Carrying value			
NHA MBS and CMB Program	**$ 2,408,639**	**$ 2,389,389**	**$ 19,250**
Bank sponsored ABCP	**2,313,806**	**2,298,438**	**15,368**
Total	**$ 4,722,445**	**$ 4,687,827**	**$ 34,618**
Fair value	**$ 4,690,885**	**$ 4,695,738**	**$ (4,853)**
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 9. Other assets

	2023	2022
Accrued benefit asset *(Note 16)*	**$ 61,592**	$ 86,779
Deferred and prepaid expenses	**48,834**	56,412
Other	**2,048**	13,049
	$ 112,474	$ 156,240

Total other assets of $34.9 million as at December 31, 2023 (2022 – $33.1 million) are expected to be realized within one year.

Note 10. Investment in associates

	Lifeco	ChinaAMC	Rockefeller	Northleaf	Other	Total
2023						
Balance, beginning of year						
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	**–**	**1,162,369**	**857,690**	**–**	**542**	**2,020,601**
Disposition	**(397,705)**	**–**	**–**	**–**	**–**	**(397,705)**
Dividends	**(46,045)**	**(69,180)**	**–**	**–**	**–**	**(115,225)**
Proportionate share of:						
Earnings	**66,908**	**104,094**	**(724)**	**17,346** [(1)]	**(2,585)**	**185,039**
IFRS 17 adjustment	**15,098**	**–**	**–**	**–**	**–**	**15,098**
Other comprehensive income (loss) and other adjustments	**11,465**	**(99,231)**	**(12,171)**	**–**	**–**	**(99,937)**
Balance, end of year	**$ 589,288**	**$ 1,885,223**	**$ 844,795**	**$ 301,845**	**$ 38,023**	**$ 3,659,174**
2022						
Balance, beginning of year						
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
Additions	–	–		–	40,430	40,430
Dividends	(73,181)	(31,319)	–	–	–	(104,500)
Proportionate share of:						
Earnings	128,227	57,231	–	25,668 [(1)]	(364)	210,762
Other comprehensive income (loss) and other adjustments	(521)	(7,465)	–	–	–	(7,986)
Balance, end of year	$ 939,567	$ 787,171	$ –	$ 284,499	$ 40,066	$ 2,051,303

(1) The Company's proportionate share of Northleaf's earnings, net of Non-controlling interest, was $13,877 in 2023 (2022 – $20,534).

The Company uses the equity method to account for its investments in associates, which include Lifeco, ChinaAMC, Rockefeller, and Northleaf, as it exercises significant influence.

On January 12, 2023, the Company closed the transaction to acquire Power's 13.9% interest in ChinaAMC for cash consideration of $1.16 billion including transaction costs, 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.

In 2023, the Company recognized a gain on the sale of the Lifeco shares of $172.9 million before-tax ($168.6 million after-tax).

The Company recorded a Lifeco IFRS 17 adjustment of $15.1 million in 2023, representing a change of estimate which has been recorded on a prospective basis.

On April 3, 2023, the Company acquired a 20.5% interest in Rockefeller for a total cost of $858 million, which was comprised of cash consideration of $835 million (USD $622 million) and transaction costs.

Great-West Lifeco Inc. (Lifeco)

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

At December 31, 2023, the Company held 22,136,471 (2022 – 37,337,133) shares of Lifeco, which represented an equity interest of 2.4% (2022 – 4.0%). Significant influence arises from several factors, including but not limited to the following: common control of Lifeco by Power, directors common to the boards of the Company and Lifeco, certain shared strategic alliances and significant intercompany transactions that influence the financial and operating policies of both companies. The Company's proportionate share of Lifeco's earnings is recorded in the Consolidated Statements of Earnings.

The fair value of the Company's investment in Lifeco totalled $970.9 million at December 31, 2023 (2022 – $1,168.3 million).

Lifeco directly owned 9,200,000 shares of the Company at December 31, 2023 (2022 – 9,200,000).

Lifeco's financial information as at December 31, 2023 can be obtained in its publicly available information.

China Asset Management Co., Ltd. (ChinaAMC)

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

As at December 31, 2023, the Company held a 27.8% ownership interest in ChinaAMC (2022 – 13.9%). Significant influence arises from board representation, participating in the policy making process, shared strategic initiatives including joint product launches and collaboration between management and investment teams.

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

	2023		2022	
(millions)	**Canadian Dollars**	**Chinese Yuan**	Canadian Dollars	Chinese Yuan
As at December 31				
Total assets	**3,514**	**18,794**	3,461	17,650
Total liabilities	**1,055**	**5,642**	1,032	5,261
For the year ended December 31				
Revenue	**1,398**	**7,327**	1,446	7,475
Net earnings available to common shareholders	**384**	**2,013**	418	2,163
Total comprehensive income	**387**	**2,028**	434	2,248

Rockefeller Capital Management (Rockefeller)

Rockefeller is a U.S. independent financial services advisory firm focused on the high-net-worth and ultra-high-net-worth segments.

As at December 31, 2023, the Company held a 20.5% ownership interest in Rockefeller. Significant influence arises from board representation, participating in the policy making process and significant intercompany transactions.

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

	2023	
(millions)	**US Dollars**	**Canadian Dollars**
As at December 31		
Total assets	**1,353.3**	**1,791.4**
Total liabilities	**843.3**	**1,116.2**
For the nine months ended December 31(1)		
Revenue	**578.0**	**779.6**
Net earnings available to common shareholders	**5.6**	**7.7**
Total comprehensive income	**5.6**	**7.6**

(1) Excludes the first quarter of 2023 earnings as acquisition was on April 3, 2023.

Northleaf Capital Group Ltd. (Northleaf)

Northleaf is a global private equity, private credit and infrastructure fund manager headquartered in Toronto.

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% Lifeco.

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

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

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

(millions)		**2023**		2022
As at December 31				
Total assets	**$**	**152.9**	$	160.3
Total liabilities		**84.3**		113.2
For the year ended December 31				
Revenue	**$**	**151.6**	$	137.0
Net earnings available to common shareholders		**28.8**		40.7
Total comprehensive income		**28.8**		40.7

Note 11. Capital assets

		Furniture and equipment		Building and components		Right-of-use assets		Total
2023								
Cost	**$**	**350,551**	**$**	**72,939**	**$**	**277,648**	**$**	**701,138**
Less: accumulated amortization		**(248,156)**		**(21,606)**		**(124,415)**		**(394,177)**
	$	**102,395**	**$**	**51,333**	**$**	**153,233**	**$**	**306,961**
Changes in capital assets:								
Balance, beginning of year	**$**	**100,816**	**$**	**49,677**	**$**	**175,795**	**$**	**326,288**
Additions		**24,161**		**3,347**		**14,678**		**42,186**
Disposals		**(977)**		**–**		**–**		**(977)**
Amortization		**(15,407)**		**(1,691)**		**(27,446)**		**(44,544)**
Sale of IPC		**(6,198)**		**–**		**(9,794)**		**(15,992)**
Balance, end of year	**$**	**102,395**	**$**	**51,333**	**$**	**153,233**	**$**	**306,961**
2022								
Cost	$	353,374	$	69,592	$	280,946	$	703,912
Less: accumulated amortization		(252,558)		(19,915)		(105,151)		(377,624)
	$	100,816	$	49,677	$	175,795	$	326,288
Changes in capital assets:								
Balance, beginning of year	$	81,423	$	51,105	$	183,436	$	315,964
Additions		37,325		243		20,416		57,984
Disposals		(1,163)		–		–		(1,163)
Amortization		(16,769)		(1,671)		(28,057)		(46,497)
Balance, end of year	$	100,816	$	49,677	$	175,795	$	326,288

Note 12. Capitalized sales commissions

	2023	2022
Cost	$ 701,308	$ 585,363
Less: accumulated amortization	(306,572)	(213,190)
	$ 394,736	$ 372,173
Changes in capitalized sales commissions		
Balance, beginning of year	$ 372,173	$ 325,424
Changes due to:		
Sales of investment funds	117,385	124,336
Amortization	(94,160)	(77,587)
Sale of IPC	(662)	–
	22,563	46,749
Balance, end of year	$ 394,736	$ 372,173

Note 13. Goodwill and intangible assets

	Finite life		Indefinite life			
	Software	Distribution and other management contracts	Investment fund management contracts	Trade names	Total intangible assets	Goodwill
2023						
Cost	$ 372,039	$ 189,410	$ 717,504	$ 285,177	$ 1,564,130	$ 2,636,771
Less: accumulated amortization	(228,442)	(84,976)	–	–	(313,418)	–
	$ 143,597	$ 104,434	$ 717,504	$ 285,177	$ 1,250,712	$ 2,636,771
Changes in goodwill and intangible assets:						
Balance, beginning of year	$ 161,839	$ 176,067	$ 740,559	$ 285,177	$ 1,363,642	$ 2,802,173
Additions	38,076	91,374	–	–	129,450	–
Disposals	(6)	(617)	–	–	(623)	–
Amortization	(42,478)	(15,836)	–	–	(58,314)	–
Sale of IPC	(13,834)	(146,554)	(23,055)	–	(183,443)	(165,402)
Balance, end of year	$ 143,597	$ 104,434	$ 717,504	$ 285,177	$ 1,250,712	$ 2,636,771
2022						
Cost	$ 365,318	$ 289,286	$ 740,559	$ 285,177	$ 1,680,340	$ 2,802,173
Less: accumulated amortization	(203,479)	(113,219)	–	–	(316,698)	–
	$ 161,839	$ 176,067	$ 740,559	$ 285,177	$ 1,363,642	$ 2,802,173
Changes in goodwill and intangible assets:						
Balance, beginning of year	$ 160,336	$ 170,632	$ 740,559	$ 285,177	$ 1,356,704	$ 2,802,066
Additions	40,264	20,082	–	–	60,346	107
Disposals	(2)	(223)	–	–	(225)	–
Amortization	(38,759)	(14,424)	–	–	(53,183)	–
Balance, end of year	$ 161,839	$ 176,067	$ 740,559	$ 285,177	$ 1,363,642	$ 2,802,173

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

	2023		2022	
	Goodwill	Indefinite life intangible assets	Goodwill	Indefinite life intangible assets
Wealth Management	$ 1,346,245	$ –	$ 1,491,687	$ 23,055
Asset Management	1,290,526	1,002,681	1,310,486	1,002,681
Total	$ 2,636,771	$ 1,002,681	$ 2,802,173	$ 1,025,736

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

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

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

Note 14. Deposits and certificates

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

Included in the assets of the Consolidated Balance Sheets are cash and cash equivalents, client funds on deposit and loans amounting to $3,344.2 million (2022 – $4,334.0 million) related to deposits and certificates.

		Term to maturity				
	Demand	**1 year or less**	**1–5 years**	**Over 5 years**	**2023 Total**	2022 Total
Deposits	**$ 3,342,782**	**$ –**	**$ –**	**$ –**	**$ 3,342,782**	$ 4,332,493
Certificates	**–**	**328**	**455**	**625**	**1,408**	1,504
	$ 3,342,782	**$ 328**	**$ 455**	**$ 625**	**$ 3,344,190**	$ 4,333,997

Note 15. Other liabilities

	2023	2022
Dividends payable	**$ 133,949**	$ 133,688
Interest payable	**40,250**	36,659
Accrued benefit liabilities *(Note 16)*	**85,188**	81,367
Provisions	**65,933**	18,356
Other	**69,606**	85,507
	$ 394,926	$ 355,577

The Company establishes restructuring provisions related to business acquisitions, divestitures and other items, as well as other provisions in the normal course of its operations. Changes in provisions during 2023 consisted of additional estimates of $107.1 million (2022 – $3.2 million), provision reversals of $1.2 million (2022 – $1.5 million) and payments of $58.3 million (2022 – $10.0 million).

Total other liabilities of $271.7 million as at December 31, 2023 (2022 – $235.6 million) are expected to be settled within one year.

Note 16. Employee benefits

Defined benefit plans

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

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

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

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

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

The actuarial valuation for funding purposes related to the Company's registered defined benefit pension plan, based on a measurement date of December 31, 2022, was completed. The valuation determines the plan surplus or deficit on both a solvency and going concern basis. The solvency basis determines the relationship between the plan assets and its liabilities assuming that the plan is wound up and settled on the valuation date. A going concern valuation compares the relationship between the plan assets and the present value of the expected future benefit cash flows, assuming the plan will be maintained indefinitely. Based on the actuarial valuation, the registered pension plan had a solvency surplus of $70.5 million compared to a solvency 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 year, the Company has made contributions of $2.8 million (2022 – $11.4 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 until the next actuarial valuation which is expected to be as at December 31, 2025. Pension contribution decisions are subject to change, as contributions are affected by many factors including market performance, regulatory requirements, changes in assumptions and management's ability to change funding policy.

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

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

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

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

Plan assets, benefit obligations and funded status:

	2023			2022		
	Defined benefit pension plan	**SERPs**	**Other post-employment benefits**	Defined benefit pension plan	SERPs	Other post-employment benefits
Fair value of plan assets						
Balance, beginning of year	**$ 510,730**	**$ –**	**$ –**	$ 566,727	$ –	$ –
Employee contributions	**1,677**	**–**	**–**	1,810	–	–
Employer contributions	**2,801**	**–**	**–**	11,438	–	–
Benefits paid	**(29,771)**	**–**	**–**	(30,590)	–	–
Interest income	**26,388**	**–**	**–**	18,613	–	–
Additions	**–**	**–**	**–**	998	–	–
Remeasurements:						
Return on plan assets	**24,206**	**–**	**–**	(58,266)	–	–
Balance, end of year	**536,031**	**–**	**–**	510,730	–	–
Accrued benefit obligation						
Balance, beginning of year	**423,951**	**56,084**	**25,283**	588,351	71,557	32,551
Benefits paid	**(29,771)**	**(4,029)**	**(2,404)**	(30,590)	(5,808)	(3,722)
Current service cost	**12,143**	**1,228**	**206**	21,027	1,971	344
Plan amendment	**–**	**35**	**–**	–	–	–
Employee contributions	**1,677**	**–**	**–**	1,810	–	–
Interest expense	**21,780**	**2,825**	**1,268**	19,094	2,069	931
Additions	**–**	**–**	**–**	998	–	–
Remeasurements:						
Actuarial losses (gains)						
Demographic assumption	**(4,592)**	**–**	**–**	–	–	–
Experience adjustments	**5,184**	**144**	**158**	(2,506)	(1,048)	708
Financial assumptions	**44,067**	**3,175**	**1,215**	(174,233)	(12,657)	(5,529)
Balance, end of year	**474,439**	**59,462**	**25,726**	423,951	56,084	25,283
Accrued benefit asset (liability)	**$ 61,592**	**$ (59,462)**	**$ (25,726)**	$ 86,779	$ (56,084)	$ (25,283)

Significant actuarial assumptions used to calculate the defined benefit obligation:

	2023			2022		
	Defined benefit pension plan	**SERPs**	**Other post-employment benefits**	Defined benefit pension plan	SERPs	Other post-employment benefits
Discount rate	**4.65%**	**4.60%-4.65%**	**4.65%**	5.25%	5.25%-5.30%	5.25%
Rate of compensation increase	**3.75%**	**3.75%**	**N/A**	3.75%	3.75%	N/A
Health care cost trend rate(1)	**N/A**	**N/A**	**5.30%**	N/A	N/A	5.40%
Mortality rates at age 65 for current pensioners	**23.1 years**	**23.1 years**	**23.1 years**	23.1 years	23.1 years	23.1 years

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

The weighted average duration of the pension plan's defined benefit obligation at the end of the reporting period is 17.3 years (2022 – 15.7 years).

Benefit expense:

	2023			2022		
	Defined benefit pension plan	**SERPs**	**Other post-employment benefits**	Defined benefit pension plan	SERPs	Other post-employment benefits
Current service cost	**$ 12,143**	**$ 1,228**	**$ 206**	$ 21,027	$ 1,971	$ 344
Plan amendment	**–**	**35**	**–**	–	–	–
Net interest cost	**(4,608)**	**2,825**	**1,268**	481	2,069	931
	$ 7,535	**$ 4,088**	**$ 1,474**	$ 21,508	$ 4,040	$ 1,275

Sensitivity analysis:

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

	2023		2022	
	Increase (decrease) in liability	**Increase (decrease) in expense**	Increase (decrease) in liability	Increase (decrease) in expense
Defined benefit pension plan				
Discount rate (+ / - 0.25%)				
Increase	**$ (19,196)**	**$ (1,873)**	$ (16,828)	$ (1,866)
Decrease	**20,416**	**1,889**	17,877	1,886
Rate of compensation (+ / - 0.25%)				
Increase	**5,174**	**582**	4,755	585
Decrease	**(5,128)**	**(575)**	(4,718)	(581)
Mortality				
Increase 1 year	**7,804**	**539**	6,334	477
SERPs				
Discount rate (+ / - 0.25%)				
Increase	**(1,149)**	**64**	(1,138)	44
Decrease	**1,192**	**(68)**	1,181	(47)
Rate of compensation (+ / - 0.25%)				
Increase	**12**	**4**	46	14
Decrease	**(11)**	**(4)**	(41)	(12)
Mortality				
Increase 1 year	**1,033**	**51**	923	51
Other post-employment benefits				
Discount rate (+ / - 0.25%)				
Increase	**(520)**	**31**	(501)	27
Decrease	**540**	**(32)**	521	(28)
Health care cost trend rates (+ / - 1.00%)				
Increase	**558**	**26**	498	27
Decrease	**(491)**	**(23)**	(441)	(23)
Mortality				
Increase 1 year	**655**	**33**	571	33

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

Asset allocation of defined benefit pension plan by asset category:

	2023	2022
Equity securities	**49.9 %**	58.4 %
Fixed income securities	**30.8**	28.7
Alternative strategies	**17.2**	11.1
Cash and cash equivalents	**2.1**	1.8
	100.0 %	100.0 %

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

Defined contribution pension plans

The Company maintains a number of defined contribution pension plans for eligible employees. The total expense recorded in Advisory and business development and Operations and support expenses was $10.2 million (2022 – $8.7 million).

Group Retirement Savings Plan (RSP)

The Company maintains a group RSP for eligible employees. The Company's contributions are recorded in Advisory and business development and Operations and support expenses as paid and totalled $10.1 million (2022 – $9.5 million).

Note 17. Income taxes

Income tax expense:

		2023		2022
Income taxes recognized in net earnings from continuing operations				
Current taxes				
Tax on current year's earnings	**$**	**210,696**	$	230,110
Adjustments in respect of prior years		**(167)**		1,537
		210,529		231,647
Deferred taxes		**4,548**		14,301
	$	**215,077**	$	245,948

Effective income tax rate:

	2023	2022
Income taxes at Canadian federal and provincial statutory rates	**26.68 %**	26.63 %
Effect of:		
Proportionate share of associates' earnings *(Note 10)*	**(3.40)**	(4.56)
Gain on sale of shares of associate	**(3.68)**	–
Proportionate share of associates' adjustments *(Note 10)*	**(0.35)**	–
Other items	**(0.46)**	0.15
Effective income tax rate	**18.79 %**	22.22 %

In December 2021, the Organization for Economic Co-operation and Development (OECD) published the Pillar Two model rules outlining a structure for a new 15% global minimum tax regime. A number of countries where the Company operates, including Ireland and the UK, have enacted legislation, and will be effective for the Company's financial year beginning January 1, 2024. Pillar Two draft legislation in Canada has not been substantively enacted but when enacted, is expected to be effective for the Company as of January 1, 2024.

The assessment of the potential exposure to Pillar Two income taxes is based on the most recent tax filings, country-by-country reporting and financial statements for the Company and its subsidiaries as part of a larger related group of companies. Based on the assessment, the Pillar Two effective tax rates of the material jurisdictions in which the Company and its subsidiaries operate are above 15%. However, there may be immaterial jurisdictions where the Pillar Two income taxes apply, but the Company and its subsidiaries do not expect a material exposure to Pillar Two income taxes in those jurisdictions.

Deferred income taxes

Composition and changes in net deferred taxes are as follows:

	Accrued benefit liabilities	Loss carry-forwards	Capitalized sales commissions	Intangible assets	Other investments	Other	Total
2023							
Balance, beginning of year	**$ (1,495)**	**$ 6,687**	**$ (98,876)**	**$ (290,489)**	**$ (46,095)**	**$ (19,318)**	**$ (449,586)**
Recognized in statements of:							
Earnings, continuing operations	**1,056**	**1,179**	**(6,077)**	**(9,538)**	**(86)**	**8,918**	**(4,548)**
Earnings, discontinued operations	**–**	**(399)**	**47**	**260**	**–**	**(1,155)**	**(1,247)**
Other comprehensive income	**6,767**	**–**	**–**	**–**	**(13,024)**	**6,751**	**494**
Equity	**–**	**–**	**–**	**–**	**(109)**	**–**	**(109)**
Sale of IPC – discontinued operations	**–**	**(3,031)**	**(47)**	**17,292**	**–**	**1,839**	**16,053**
Foreign exchange rate charges and other	**–**	**(14)**	**–**	**–**	**–**	**3**	**(11)**
Balance, end of year	**$ 6,328**	**$ 4,422**	**$ (104,953)**	**$ (282,475)**	**$ (59,314)**	**$ (2,962)**	**$ (438,954)**
2022							
Balance, beginning of year	$ 33,886	$ 6,459	$ (86,616)	$ (289,835)	$ (142,751)	$ (17,350)	$ (496,207)
Recognized in statements of:							
Earnings, continuing operations	1,569	(1,939)	(12,264)	822	619	(3,108)	(14,301)
Earnings, discontinued operations	–	1,893	4	(1,476)	–	(1,398)	(977)
Other comprehensive income	(36,950)	–	–	–	95,552	2,541	61,143
Equity	–	–	–	–	485	–	485
Foreign exchange rate charges and other	–	274	–	–	–	(3)	271
Balance, end of year	$ (1,495)	$ 6,687	$ (98,876)	$ (290,489)	$ (46,095)	$ (19,318)	$ (449,586)

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

	2023	2022
Deferred income tax assets	**$ 3,232**	$ 1,419
Deferred income tax liabilities	**(442,186)**	(451,005)
	$ (438,954)	$ (449,586)

As at December 31, 2023, the Company and its subsidiaries have deductible temporary differences related to its investments in associates of $57.8 million for which the benefits have not been recognized.

Note 18. Long-term debt

Maturity	Rate	2023	2022
January 26, 2027	3.44 %	**$ 400,000**	$ 400,000
December 13, 2027	6.65 %	**125,000**	125,000
May 9, 2031	7.45 %	**150,000**	150,000
December 31, 2032	7.00 %	**175,000**	175,000
March 7, 2033	7.11 %	**150,000**	150,000
December 10, 2040	6.00 %	**200,000**	200,000
January 25, 2047	4.56 %	**200,000**	200,000
December 9, 2047	4.115 %	**250,000**	250,000
July 13, 2048	4.174 %	**200,000**	200,000
March 21, 2050	4.206 %	**250,000**	250,000
May 26, 2053	5.426 %	**300,000**	–
		$ 2,400,000	$ 2,100,000

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

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

Interest expense relating to long-term debt was $116.3 million (2022 – $106.6 million).

On May 26, 2023, the Company issued $300 million of 30 year, 5.426% debentures. This offering was made pursuant to a prospectus supplement to the Company's short form base shelf prospectus dated December 7, 2022.

Note 19. 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

	2023		2022	
	Shares	**Stated value**	Shares	Stated value
Common shares:				
Balance, beginning of year	**237,668,062**	**$ 1,672,799**	239,679,043	$ 1,658,680
Issued under Stock Option Plan *(Note 21)*	**463,676**	**17,827**	879,019	34,429
Purchased for cancellation	**–**	**–**	(2,890,000)	(20,310)
Balance, end of year	**238,131,738**	**$ 1,690,626**	237,668,062	$ 1,672,799

Normal course issuer bid

On December 21, 2023, the Company commenced a Normal Course Issuer Bid (NCIB) which will continue until December 20, 2024, when the bid expires, or such earlier date as the Company completes its purchases pursuant to the notice of intention filed with the TSX. Pursuant to this bid, the Company may purchase up to 3 million or 1.3% of its common shares outstanding as at December 7, 2023.

On March 1, 2022, the Company commenced a NCIB 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 year ended December 31, 2023. In the year ended December 31, 2022, there were 2,890,000 shares purchased at a cost of $115.7 million. The premium paid to purchase the shares in excess of the stated value was charged to Retained earnings.

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

Note 20. Capital management

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

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

The total outstanding long-term debt was $2,400.0 million at December 31, 2023, compared to $2,100.0 million at 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. The increase in long-term debt resulted from the issuance on May 26, 2023, of $300.0 million 5.426% debentures maturing May 26, 2053. The net proceeds were used by IGM Financial to fund a portion of the purchase price in connection with the acquisition of the 20.5% equity interest in Rockefeller and for general corporate purposes.

The Company commenced a NCIB on December 21, 2023 to purchase for cancellation up to 3 million of its common shares. The program will be used to mitigate the dilutive effect of stock options issued under the Company's stock option plan and for other capital management purposes. There were no common shares purchased by the Company in 2023.

Other activities in 2023 included the declaration of common share dividends of $535.7 million or $2.25 per share. Changes in common share capital are reflected in the Consolidated Statements of Changes in Shareholders' Equity.

Note 21. Share-based payments

Stock option plan

Under the terms of the Company's Stock Option Plan (Plan), options to purchase common shares are periodically granted to employees at prices not less than the weighted average trading price per common share on the Toronto Stock Exchange for the five trading days preceding the date of the grant. The options are subject to time vesting conditions set out at the grant date. Options vest over a period of up to 7.5 years from the grant date and are exercisable no later than 10 years after the grant date. At December 31, 2023, 17,687,703 (2022 – 18,151,379) common shares were reserved for issuance under the Plan.

During 2023, the Company granted 662,606 options to employees (2022 – 1,546,295). The weighted-average fair value of options granted during the year ended December 31, 2023, has been estimated at $5.56 per option (2022 – $4.91) using the Black-Scholes option pricing model. The weighted-average closing share price at the grant dates was $42.36 (2022 – $44.02). Other assumptions used in these valuation models include:

	2023	2022
Exercise price	$ 42.53	$ 44.59
Risk-free interest rate	3.44%	2.04%
Expected option life	7 years	7 years
Expected volatility	23.00%	23.00%
Expected dividend yield	5.31%	5.12%

Expected volatility has been estimated based on the historic volatility of the Company's share price over seven years which is reflective of the expected option life. The average share price in 2023 was $38.43 (2022 – $39.50).

The Company recorded compensation expense related to its stock option program of $4.7 million (2022 – $4.9 million).

	2023		2022	
	Number of options	Weighted-average exercise price	Number of options	Weighted-average exercise price
Balance, beginning of year	11,725,342	$ 39.98	11,712,164	$ 39.36
Granted	662,606	42.53	1,546,295	44.59
Exercised	(463,676)	36.39	(879,019)	37.03
Forfeited	(1,022,154)	45.86	(654,098)	43.77
Balance, end of year	10,902,118	$ 39.74	11,725,342	$ 39.98
Exercisable, end of year	6,924,596	$ 39.80	6,596,299	$ 41.01

Options outstanding at December 31, 2023	Expiry date	Exercise price $	Options outstanding	Options exercisable
	2024	53.81	579,124	579,124
	2025	43.28 – 43.97	776,309	776,309
	2026	34.88 – 38.17	795,689	746,859
	2027	39.71 – 41.74	940,780	868,684
	2028	37.58 – 40.10	1,154,727	1,154,727
	2029	34.29 – 36.91	1,122,461	847,190
	2030	31.85 – 38.65	1,976,703	1,172,881
	2031	35.01 – 46.02	1,407,189	478,812
	2032	36.57 – 45.56	1,486,530	300,010
	2033	39.02 – 42.54	662,606	–
			10,902,118	6,924,596

Share unit plans

The Company has share unit plans for eligible employees to assist in retaining and further aligning the interests of senior management with those of the shareholders. These plans include Performance Share Unit (PSU), Deferred Share Unit (DSU) and Restricted Share Unit (RSU) plans. Under the terms of the plans, share units are awarded annually and are subject to time vesting conditions. In addition, the PSU and DSU plans are subject to performance vesting conditions. The value of each share unit is based on the share price of the Company's common shares. The PSUs and RSUs are cash settled and vest over a three year period. Certain employees can elect at the time of grant to receive a portion of their PSUs in the form of deferred share units which vest over a three year period. Deferred share units are redeemable when a participant is no longer an employee of the Company or any of its affiliates by a lump sum payment based on the value of the deferred share unit at that time. Additional share units are issued in respect of dividends payable on common shares based on a value of the share unit at the dividend payment date. The Company recorded compensation expense, excluding the impact of hedging, of $23.7 million in 2023 (2022 – $21.1 million) and a liability of $37.4 million at December 31, 2023 (2022 – $40.1 million).

Share purchase plans

Under the Company's share purchase plans, eligible employees can elect each year to have a percentage of their annual earnings withheld, subject to a maximum, to purchase the Company's common shares. The Company matches 50% of the contribution amounts. All contributions are used by the plan trustee to purchase common shares in the open market. Shares purchased with Company contributions vest after a maximum period of two years following the date of purchase. The Company's contributions are recorded in Advisory and business development and Operations and support expenses as paid and totalled $4.9 million (2022 – $4.7 million).

Directors' deferred share unit plan

The Company has a Deferred Share Unit (DSU) plan for the directors of the Company to promote a greater alignment of interests between directors and shareholders of the Company. Under the terms of the plan, directors are required to receive 50% of their annual board retainer in the form of DSUs and may elect to receive the balance of their annual board retainer in cash or DSUs. Directors may elect to receive certain fees in a combination of DSUs and cash. The number of DSUs granted is determined by dividing the amount of remuneration payable by the average closing price on the Toronto Stock Exchange of the common shares of the Company on the last five days of the fiscal quarter (value of DSU). A director who has elected to receive DSUs will receive additional DSUs in respect of dividends payable on common shares, based on the value of a DSU at the dividend payment date. DSUs are redeemable when a participant is no longer a director, officer or employee of the Company or any of its affiliates by cash payments, based on the value of the DSUs at that time. At December 31, 2023, the fair value of the DSUs outstanding was $31.1 million (2022 – $29.8 million). Any difference between the change in fair value of the DSUs and the change in fair value of the total return swap, which is an economic hedge for the DSU plan, is recognized in Operations and support expense in the period in which the change occurs.

Note 22. Accumulated other comprehensive income (loss)

	Employee benefits	Other investments	Investment in associates and other	Total
2023				
Balance, beginning of year	**$ 4,383**	**$ 309,605**	**$ 48,778**	**$ 362,766**
Other comprehensive income (loss)	**(18,378)**	**85,054**	**(96,441)**	**(29,765)**
Disposal of investment in associate *(Note 10)*	**–**	**–**	**(16,008)**	**(16,008)**
Transfer out of FVTOCI	**–**	**(703)**	**–**	**(703)**
Balance, end of year	**$ (13,995)**	**$ 393,956**	**$ (63,671)**	**$ 316,290**
2022				
Balance, beginning of year	$ (95,666)	$ 919,152	$ 59,597	$ 883,083
Other comprehensive income (loss)	100,049	(585,515)	(10,819)	(496,285)
Transfer out of FVTOCI	–	(24,032)	–	(24,032)
Balance, end of year	$ 4,383	$ 309,605	$ 48,778	$ 362,766

Amounts are recorded net of tax.

The Company recorded after-tax gains in Other comprehensive income of $85.1 million (2022 – losses of $585.5 million) due to fair value changes in the Company's investments, primarily related to fair value adjustments on Wealthsimple.

Note 23. Risk management

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

Liquidity and funding risk related to financial instruments

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

Our liquidity profile is structured to ensure we have sufficient liquidity to satisfy current and prospective requirements in both normal and stressed conditions. The Company's liquidity management practices include:

- Maintaining liquid assets and lines of credit to satisfy near term liquidity needs.
- Ensuring effective controls over liquidity management processes.
- Performing regular cash forecasts and stress testing.
- Regular assessment of capital market conditions and the Company's ability to access bank and capital market funding.
- Ongoing efforts to diversify and expand long-term mortgage funding sources.
- Oversight of liquidity and funding risks 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 Canada Mortgage Bond Program (CMB Program).

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

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

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

As at December 31, 2023 *($ millions)*	Demand	Less than 1 year	1–5 years	Over 5 years	Total
Derivative financial instruments	$ –	$ 11.4	$ 38.2	$ –	$ 49.6
Deposits and Certificates[(1)]	3,342.8	0.3	0.5	0.6	3,344.2
Obligations to securitization entities	–	937.1	3,737.5	13.2	4,687.8
Leases[(2)]	–	29.2	84.2	96.9	210.3
Long-term debt	–	–	525.0	1,875.0	2,400.0
Total contractual maturities	$ 3,342.8	$ 978.0	$ 4,385.4	$ 1,985.7	$ 10,691.9

(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.

In addition to the Company's current balance of cash and cash equivalents, liquidity is available through the Company's lines of credit. The Company's lines of credit with various Schedule I Canadian chartered banks totalled $800 million at December 31, 2023, compared to $825 million at December 31, 2022. The lines of credit at December 31, 2023 consisted of committed lines of $650 million and uncommitted lines of $150 million, compared to $650 million and $175 million at December 31, 2022. Any advances made by a bank under the uncommitted lines of credit are at the bank's sole discretion. As at December 31, 2023 and December 31, 2022, the Company was not utilizing its committed lines of credit or its uncommitted lines of credit.

The Company's liquidity position and its management of liquidity and funding risk have not changed materially since December 31, 2022.

Credit risk related to financial instruments

This is the risk of financial loss to the Company if a counterparty to a transaction fails to meet its obligations. The Company is exposed to credit risk through its cash and cash equivalents, client funds on deposit, mortgage portfolio, and use of over-the-counter derivatives. The Company monitors its credit risk management practices on an ongoing basis to evaluate their effectiveness.

At December 31, 2023, cash and cash equivalents of $544.6 million (2022 – $1,072.9 million) consisted of cash balances of $216.5 million (2022 – $346.3 million) on deposit with Canadian chartered banks and cash equivalents of $328.1 million (2022 – $726.6 million). Cash equivalents are comprised of Government of Canada treasury bills totalling $0.5 million (2022 – $81.6 million), provincial government treasury bills and promissory notes of $36.4 million (2022 – $306.8 million), bankers' acceptances of $291.2 million (2022 – $293.2 million) and other corporate commercial paper of nil (2022 – $45.0 million).

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.

Client funds on deposit of $3,365.7 million (2022 – $4,347.4 million) are held with Schedule I chartered banks.

As at December 31, 2023, residential mortgages, recorded on the Company's balance sheet, of $5.1 billion (2022 – $5.0 billion) consisted of $4.7 billion sold to securitization programs (2022 – $4.6 billion), $375.5 million held pending sale or securitization (2022 – $371.9 million) and $11.5 million related to the Company's intermediary operations (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 its own network of Mortgage Advisors 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 $2.4 billion (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 $2.3 billion (2022 – $2.1 billion) is limited to amounts held in cash reserve accounts and future net interest income, the fair values of which were $58.0 million (2022 – $55.2 million) and $37.0 million (2022 – $21.3 million), respectively, at December 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 December 31, 2023, residential mortgages recorded on balance sheet were 50.7% insured (2022 – 53.3%). As at December 31, 2023, impaired mortgages on these portfolios were $3.1 million, compared to $2.2 million at December 31, 2022. Uninsured non-performing mortgages over 90 days on these portfolios were $2.8 million at December 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 $0.7 million at December 31, 2023, compared to $0.8 million at 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 cash and cash equivalents, fixed income securities and mortgage portfolios have not changed materially since December 31, 2022.

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

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

The Company's derivative activities are managed in accordance with its Derivative 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 $51.2 million (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 $3.7 million at December 31, 2023 (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 December 31, 2023. Management of credit risk related to derivatives has not changed materially since December 31, 2022.

Market risk related to financial instruments

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

Interest rate risk

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

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

- The Company has in certain instances funded floating rate mortgages with fixed rate Canada Mortgage Bonds as part of the securitization transactions under the CMB Program. As 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 $7.7 million (2022 – $20.5 million) and an outstanding notional amount of $0.2 billion at December 31, 2023 (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 $12.5 million (2022 – negative $19.6 million), on an outstanding notional amount of $1.4 billion at December 31, 2023 (2022 – $1.3 billion). The net fair value of these swaps of negative $4.8 million at December 31, 2023 (2022 – positive $0.9 million) is recorded on the balance sheet and has an outstanding notional amount of $1.6 billion (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 negative $1.1 million (2022 – positive $4.7 million) on an outstanding notional amount of $181.5 million at December 31, 2023 (2022 – $191.6 million).

As at December 31, 2023, the impact to annual net earnings of a 100 basis point increase in interest rates would have been an increase of approximately $0.5 million (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

The Company is exposed to equity price risk on its equity investments (Note 6) which are classified as either fair value through other comprehensive income or fair value through profit or loss, and on our investments in associates (Note 10), which are accounted for using the equity method. The fair value of the equity investments was $0.9 billion at December 31, 2023 (2022 – $0.8 billion) and the carrying value of the Investment in associates was $3.7 billion at December 31, 2023 (2022 – $2.1 billion).

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

Foreign exchange risk

The Company is exposed to foreign exchange risk on its investment in ChinaAMC and Rockefeller. Changes to the carrying value due to changes in foreign exchange rates are recognized in Other comprehensive income. As at December 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 $128.1 million ($141.6 million).

The Company's proportionate share of ChinaAMC's and Rockefeller's earnings, recorded in Proportionate share of associates' earnings in the Consolidated Statements of Earnings, is also affected by changes in foreign exchange rates. For the year ended December 31, 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 $4.9 million ($5.4 million).

Risks related to assets under management and advisement

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

Note 24. Derivative financial instruments

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

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

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

	Notional amount					Fair value	
	1 year or less	1 – 5 years	Over 5 years	Total	Credit risk	Asset	Liability
2023							
Swaps							
Hedge accounting	**$ –**	**$ 77,967**	**$ 50,422**	**$ 128,389**	**$ –**	**$ –**	**$ 362**
No hedge accounting	**235,100**	**1,380,288**	**85,769**	**1,701,157**	**39,995**	**39,995**	**41,572**
Forward contracts							
Hedge accounting	**17,281**	**56,738**	**–**	**74,019**	**2,734**	**2,734**	**7,646**
	$ 252,381	**$ 1,514,993**	**$ 136,191**	**$ 1,903,565**	**$ 42,729**	**$ 42,729**	**$ 49,580**
2022							
Swaps							
Hedge accounting	$ –	$ 71,634	$ 52,290	$ 123,924	$ 899	$ 899	$ 26
No hedge accounting	555,248	973,750	34,636	1,563,634	55,789	55,789	49,604
Forward contracts							
Hedge accounting	18,150	45,319	–	63,469	6,977	6,977	1,951
	$ 573,398	$ 1,090,703	$ 86,926	$ 1,751,027	$ 63,665	$ 63,665	$ 51,581

The credit risk related to the Company's derivative financial instruments after giving effect to any netting agreements was $3.7 million (2022 – $8.9 million).

The credit risk related to the Company's derivative financial instruments after giving effect to netting agreements and including rights to future net interest income, was $3.7 million (2022 – $10.5 million). Rights to future net interest income are related to the Company's securitization activities and are not reflected on the Consolidated Balance Sheets.

Note 25. 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 $721 million, are predominantly comprised of early-stage financial technology companies, including Wealthsimple with a fair value of $607 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 $30 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, credit facility and certain other financial liabilities.

	Carrying value	Fair value Level 1	Level 2	Level 3	Total
2023					
Financial assets recorded at fair value					
Other investments					
– FVTOCI	**$ 721,379**	**$ –**	**$ –**	**$ 721,379**	**$ 721,379**
– FVTPL	**142,219**	**130,790**	**–**	**11,429**	**142,219**
Derivative financial instruments	**42,729**	**–**	**26,801**	**15,928**	**42,729**
Financial assets recorded at amortized cost					
Loans					
– Amortized cost	**5,108,696**	**–**	**379,954**	**4,690,885**	**5,070,839**
Financial liabilities recorded at fair value					
Derivative financial instruments	**49,580**	**–**	**41,373**	**8,207**	**49,580**
Financial liabilities recorded at amortized cost					
Deposits and certificates	**3,344,190**	**–**	**3,344,223**	**–**	**3,344,223**
Obligations to securitization entities	**4,687,827**	**–**	**–**	**4,695,738**	**4,695,738**
Long-term debt	**2,400,000**	**–**	**2,453,390**	**–**	**2,453,390**
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 December 31
2023						
Other investments						
– FVTOCI	**$ 602,612**	**$ –**	**$ 96,557**	**$ 32,463**	**$ 10,253**	**$ 721,379**
– FVTPL	**11,429**	**–**	**–**	**–**	**–**	**11,429**
Derivative financial instruments, net	**20,516**	**(360)**	**–**	**(3,130)**	**9,305**	**7,721**
2022						
Other investments						
– FVTOCI	$ 1,291,434	$ –	$ (677,525)	$ 36,140	$ 47,437	$ 602,612
– FVTPL	–	–	–	11,429	–	11,429
Derivative financial instruments, net	960	28,010	–	(5,605)	2,849	20,516

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

Note 26. Earnings per common share

		2023		2022
Earnings				
Net earnings from continuing operations	**$**	**929,380**	$	861,158
Non-controlling interest		**(3,469)**		(5,134)
Net earnings available to common shareholders – continuing operations		**925,911**		856,024
Net earnings from discontinued operations		**223,131**		11,420
Non-controlling interest		**(150)**		(200)
Net earnings available to common shareholders – discontinued operations		**222,981**		11,220
Net earnings available to common shareholders	**$**	**1,148,892**	$	867,244
Number of common shares *(in thousands)*				
Weighted average number of common shares outstanding		**238,033**		238,470
Add: Potential exercise of outstanding stock options(1)		**385**		526
Average number of common shares outstanding – diluted basis		**238,418**		238,996
Earnings per common share *(in dollars)*				
Basic				
From continuing operations	**$**	**3.89**	$	3.59
From discontinued operations		**0.94**		0.05
Net earnings available to common shareholders	**$**	**4.83**	$	3.64
Diluted				
From continuing operations	**$**	**3.88**	$	3.58
From discontinued operations		**0.94**		0.05
Net earnings available to common shareholders	**$**	**4.82**	$	3.63

(1) Excludes 912 thousand shares in 2023 related to outstanding stock options that were anti-dilutive (2022 – 837 thousand).

Note 27. Contingent liabilities and guarantees

Contingent liabilities

The Company is subject to legal actions arising in the normal course of its business. In December 2018, a proposed class action was filed in the Ontario Superior Court against Mackenzie Financial Corporation (Mackenzie) which alleges that the company should not have paid mutual fund trailing commissions to order execution only dealers. This action was certified in January 2024. In August 2022, a second proposed class action concerning the same subject matter was filed against Mackenzie.

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. The Company has notified impacted clients and offered credit monitoring at no cost for two years to all clients. Four proposed class actions have been filed against Mackenzie concerning this incident.

Although it is difficult to predict the outcome of any such legal actions, based on current knowledge, management does not expect the outcome of any of these matters, individually or in aggregate, to have a material adverse effect on the Company's consolidated financial position.

Guarantees

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

Note 28. Related party transactions

Transactions and balances with related entities

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

- During 2023 and 2022, the Company provided to and received from Canada Life certain administrative services. The Company distributes insurance products under a distribution agreement with Canada Life and received $51.7 million in distribution fees (2022 – $48.7 million). The Company received $59.8 million (2022 – $61.4 million) and paid $19.6 million (2022 – $19.5 million) to Canada Life and related subsidiary companies for the provision of sub-advisory services for certain investment funds.

On January 12, 2023, the Company acquired an additional interest in ChinaAMC from Power and sold a portion of its investment in Lifeco to Power (Note 10).

On November 30, 2023, the Company completed the sale of 100% of IPC to Canada Life (Note 3).

The acquisition and sale transactions were recorded at fair value.

Key management compensation

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

		2023		2022
Compensation and employee benefits	**$**	**4,224**	$	4,084
Post-employment benefits		**4,267**		4,042
Share-based payments		**2,217**		1,756
	$	**10,708**	$	9,882

Share-based payments exclude the fair value remeasurement of the deferred share units associated with changes in the Company's share price (Note 21).

Note 29. Segmented information

In 2023, the Company realigned its reportable segments to better characterize and simplify the Company's business lines into wealth management and asset management segments. The revised segments reflect a realignment of Rockefeller and Wealthsimple to the wealth management segment and ChinaAMC and Northleaf to the asset management segment. These changes have no impact on the reported earnings of the Company. Prior period comparative information has been restated to reflect the realigned segments.

The Company's reportable segments are:

- Wealth Management
- Asset Management
- Corporate and Other

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

- **Wealth Management** – reflects the activities of its core business and strategic investments that are principally focused on providing financial planning and related services to retail client households. This segment includes the activities of IG Wealth Management which is a retail distribution organization that serves Canadian households through its securities dealer, mutual fund dealer 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. This segment also includes the Company's strategic investments in Rockefeller and Wealthsimple. Rockefeller is classified as an investment in associate and accounted for using the equity method, with the proportionate share of earnings included in revenue. Wealthsimple is classified as an investment which is accounted for as fair value through other comprehensive income and therefore has no impact on the segment earnings. This segment also included IPC, which was sold on November 30, 2023. IPC's results were classified as discontinued operations.

- **Asset Management** – reflects the activities of its core business and strategic investments primarily focused on providing investment management services. This segment includes the operations of Mackenzie Investments which provides investment management services 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. This segment also includes the Company's strategic investment in ChinaAMC and Northleaf which are classified as investments in associates and accounted for using the equity method. The proportionate share of earnings on these investments are included in the segment's revenue.
- **Corporate and Other** – primarily represents investments in Lifeco and Portage, the Company's unallocated capital, as well as consolidation elimination entries.

2023

	Wealth Management	Asset Management	Corporate and Other	Total Segment	Adjustments (1)	Total
Revenues						
Wealth management	$ 2,206,201	$ –	$ (6,520)	$ 2,199,681	$ –	$ 2,199,681
Asset management	–	1,051,122	(102,081)	949,041	–	949,041
Dealer compensation	–	(311,439)	(2,668)	(314,107)	–	(314,107)
Net asset management	–	739,683	(104,749)	634,934	–	634,934
Net investment income and other	13,299	12,094	12,253	37,646	–	37,646
Gain on sale of Lifeco shares *(Note 10)*	–	–	–	–	172,977	172,977
Proportionate share of associates' earnings	(3,309)	121,440	66,908	185,039	15,098	200,137
	2,216,191	873,217	(32,108)	3,057,300	188,075	3,245,375
Expenses						
Advisory and business development	922,713	83,546	(7)	1,006,252	–	1,006,252
Operations and support	438,486	362,681	1,271	802,438	103,266	905,704
Sub-advisory	172,391	4,609	(111,269)	65,731	–	65,731
	1,533,590	450,836	(110,005)	1,874,421	103,266	1,977,687
	682,601	422,381	77,897	1,182,879	84,809	1,267,688
Interest expense(2)	98,210	25,021	–	123,231	–	123,231
Earnings before income taxes	584,391	397,360	77,897	1,059,648	84,809	1,144,457
Income taxes	155,984	83,761	(1,929)	237,816	(22,739)	215,077
Net earnings from continuing operations	428,407	313,599	79,826	821,832	107,548	929,380
Net earnings from discontinued operations	14,849	–	(12,421)	2,428	220,703	223,131
	443,256	313,599	67,405	824,260	328,251	1,152,511
Non-controlling interest	(150)	(3,469)	–	(3,619)	–	(3,619)
	443,106	310,130	67,405	820,641	328,251	1,148,892
Restructuring and other, net of tax(1)				(76,208)	76,208	–
Gain on sale of IPC(1)				220,703	(220,703)	–
Gain on sale of Lifeco shares, net of tax(1)				168,658	(168,658)	–
Lifeco IFRS 17 adjustment(1)				15,098	(15,098)	–
Net earnings available to common shareholders				$ 1,148,892	$ –	$ 1,148,892
Identifiable assets	$ 11,456,731	$ 3,583,510	$ 986,270	$ 16,026,511	$ –	$ 16,026,511
Goodwill	1,346,245	1,290,526	–	2,636,771	–	2,636,771
Total assets	$ 12,802,976	$ 4,874,036	$ 986,270	$ 18,663,282	$ –	$ 18,663,282

(1) Restructuring and other, Gain on sale of IPC, Gain on sale of Lifeco shares and Lifeco IFRS 17 adjustment are not related to a specific segment and therefore excluded from segment results. These items have 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

	Wealth Management	Asset Management	Corporate and Other	Total
Revenues				
Wealth management	$ 2,159,870	$ –	$ –	$ 2,159,870
Asset management	–	1,077,678	(110,466)	967,212
Dealer compensation	–	(327,521)	–	(327,521)
Net asset management	–	750,157	(110,466)	639,691
Net investment income and other	2,434	5,690	14,114	22,238
Proportionate share of associates' earnings	(364)	82,899	128,227	210,762
	2,161,940	838,746	31,875	3,032,561
Expenses				
Advisory and business development	882,712	79,353	(1)	962,064
Operations and support	424,009	360,543	2,091	786,643
Sub-advisory	169,093	4,946	(110,465)	63,574
	1,475,814	444,842	(108,375)	1,812,281
	686,126	393,904	140,250	1,220,280
Interest expense[(1)]	89,653	23,521	–	113,174
Earnings before income taxes	596,473	370,383	140,250	1,107,106
Income taxes	159,684	81,591	4,673	245,948
Net earnings from continuing operations	436,789	288,792	135,577	861,158
Net earnings from discontinued operations	11,296	–	124	11,420
	448,085	288,792	135,701	872,578
Non-controlling interest	(200)	(5,134)	–	(5,334)
Net earnings available to common shareholders	$ 447,885	$ 283,658	$ 135,701	$ 867,244
Identifiable assets	$ 11,798,168	$ 2,315,098	$ 1,822,079	$ 15,935,345
Goodwill	1,491,687	1,310,486	–	2,802,173
Total assets	$ 13,289,855	$ 3,625,584	$ 1,822,079	$ 18,737,518

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

Corporate Information

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This document is also available on the Corporation's website and on SEDAR+ at www.sedarplus.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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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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