

CONSOLIDATED BALANCE SHEETS

	December 31, 2023	December 31, 2022 (restated)	January 1, 2022 (restated)
[in millions of Canadian dollars]			
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	Share capital			Reserves				Non- controlling interests	Total equity
	Non- participating shares	Participating shares	Retained earnings	Share-based compensation	Other comprehensive income [Note 31]	Total			
[in millions of Canadian dollars]									
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	Share capital			Reserves				Non-controlling interests	Total equity
	Non-participating shares	Participating shares	Retained earnings	Share-based compensation	Other comprehensive income [Note 31]	Total			
[in millions of Canadian dollars]									
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)

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The following abbreviations are used in these Consolidated Financial Statements:

Canada Life	The Canada Life Assurance Company	Pargesa	Pargesa SA
ChinaAMC	China Asset Management Co., Ltd.	Parjointco	Parjointco SA
CSM	Contractual service margin	Portage Ventures I	Portag3 Ventures Limited Partnership
Empower	Empower Annuity Insurance Company of America	Portage Ventures II	Portag3 Ventures II Limited Partnership
FVOCI	Fair value through other comprehensive income	Portage Ventures III	Portage Ventures III Limited Partnership
FVPL	Fair value through profit or loss	Potentia	Potentia Renewables Inc.
GBL	Groupe Bruxelles Lambert	Power Corporation or the Corporation	Power Corporation of Canada
IFRS	International Financial Reporting Standards	Power Financial	Power Financial Corporation
IGM or IGM Financial	IGM Financial Inc.	Power Sustainable	Power Sustainable Capital Inc.
IG Wealth Management	Investors Group Inc.	Power Sustainable Energy Infrastructure	Power Sustainable Energy Infrastructure Partnership
Lifeco	Great-West Lifeco Inc.	Prudential	Prudential Financial, Inc.
Lion	The Lion Electric Co.	Putnam	Putnam Investments, LLC
LMPG	LMPG Inc.	Rockefeller	Rockefeller Capital Management
Mackenzie or Mackenzie Investments	Mackenzie Financial Corporation	Sagard	Sagard Holdings Inc.
MassMutual	Massachusetts Mutual Life Insurance Company	TSX	Toronto Stock Exchange
Northleaf	Northleaf Capital Group Ltd.	Wealthsimple	Wealthsimple Financial Corp.
OSFI	Office of the Superintendent of Financial Institutions		

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	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.

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

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.

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

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

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 presented as if the operation had been discontinued from the beginning of the comparative year.

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

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

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.

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

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.

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

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.

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

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

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.

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

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.

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

NOTE 2 BASIS OF PRESENTATION AND SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)**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 <i>Lease Liability in a Sale and Leaseback</i>, amendments to IFRS 16, <i>Leases</i>. 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, <i>Statement of Cash Flows</i> and IFRS 7, <i>Financial Instruments: Disclosures</i>. 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
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Insurance Revenue

	December 31, 2022
For the year ended	
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
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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:

Financial Assets	Classification	
	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			
	1 year or less	1-5 years	Over 5 years	Total
December 31, 2023				
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			
	1 year or less	1-5 years	Over 5 years	Total
December 31, 2022 ^[2]				
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:

December 31, 2023	Jointly controlled corporations		Associates					Total
	Parjointco	Other ^[1]	ChinaAMC	Lion	Northleaf	Rockefeller	Other ^[1]	
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

December 31, 2022	Jointly controlled corporations		Associates					Total
	Parjointco	Other ^[1]	ChinaAMC	Lion	Northleaf	Rockefeller	Other ^[1]	
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:

[in millions]	2023		2022	
	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:

December 31, 2023	Right-of-use assets ^[1]	Owner-occupied properties	Capital assets		Total
			Power generating assets	Other	
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

December 31, 2022	Right-of-use assets ^[1]	Owner-occupied properties	Capital assets		Total
			Power generating assets	Other	
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

	Brands, trademarks and trade names	Customer contract-related	Mutual fund management contracts	Shareholders' portion of acquired future participating account profit	Total
December 31, 2023					
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

	Brands, trademarks and trade names	Customer contract-related	Mutual fund management contracts	Shareholders' portion of acquired future participating account profit	Total
December 31, 2022					
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

	Technology and software	Customer contract-related	Power purchase agreements	Other	Total
December 31, 2023					
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

	Technology and software	Customer contract-related	Power purchase agreements	Other	Total
December 31, 2022					
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				Total
	Excluding loss component	Loss component	Contracts not under PAA	Contracts under PAA		Asset for acquisition cash flows	
				Estimates of present value of future cash flows	Risk adjustment for non-financial risk		
December 31, 2023							
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)

	Liability for remaining coverage		Liability for incurred claims				Total
	Excluding loss component	Loss component	Contracts not under PAA	Contracts under PAA		Asset for acquisition cash flows	
				Estimates of present value of future cash flows	Risk adjustment for non-financial risk		
December 31, 2022							
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		
	Insurance contracts	Reinsurance contracts	Insurance contracts	Investment contracts	Reinsurance contracts
December 31, 2023					
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		
	Insurance contracts	Reinsurance contracts	Insurance contracts	Investment contracts	Reinsurance contracts
December 31, 2022					
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

	Profitable contracts issued	Onerous contracts issued	Total
December 31, 2023			
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			
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.

	1 year or less	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
December 31, 2023							
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)					Segregated funds	Participating account surplus in Lifeco's subsidiaries ^[1]	Total ^[2]
	Canada	United States	Europe	Capital and Risk Solutions	Total			
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)					Segregated funds	Participating account surplus in Lifeco's subsidiaries ^[1]	Total ^[2]
	Canada	United States	Europe	Capital and Risk Solutions	Total			
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]	
	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)

	Net earnings		CSM ^[1]	
	Before reinsurance	Net of reinsurance held	Before reinsurance	Net of reinsurance held
December 31, 2022				
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

December 31, 2023	Asset for remaining coverage		Asset for incurred claims			Total
	Excluding loss recovery component	Loss recovery component	Contracts not under PAA	Contracts under PAA		
				Estimates of present value of future cash flows	Risk adjustment for non-financial risk	
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			Total
	Excluding loss recovery component	Loss recovery component	Contracts not under PAA	Contracts under PAA		
				Estimates of present value of future cash flows	Risk adjustment for non-financial risk	
December 31, 2022						
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:

	Insurance and investment contract liabilities	Investments and investments in associates	Loss carry forwards	Intangible assets	Defined benefit plans	Tax credits and other	Total
For the year ended December 31, 2023							
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

	Insurance and investment contract liabilities	Investments and investments in associates	Loss carry forwards	Intangible assets	Defined benefit plans	Tax credits and other	Total
For the year ended December 31, 2022							
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

NOTE 20 SHARE CAPITAL (continued)**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:

Range of exercise prices	Expiry date	Options outstanding			Options exercisable	
		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.

NOTE 21 SHARE-BASED COMPENSATION (continued)**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.

NOTE 23 CAPITAL MANAGEMENT (continued)

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			Total
	1 year or less	1-5 years	Over 5 years	
December 31, 2023				
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.

NOTE 24 RISK MANAGEMENT (continued)

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						Total
	1 year or less	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	
December 31, 2023							
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 a 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.

December 31, 2023	Performing		Impaired	Total
	Stage 1	Stage 2	Stage 3	
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.

December 31, 2023	Performing		Impaired	Total
	Stage 1	Stage 2	Stage 3	
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
January 1, 2023	Performing		Impaired	Total
	Stage 1	Stage 2	Stage 3	
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 designated 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.

NOTE 24 RISK MANAGEMENT (continued)

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:

December 31, 2023	Payments due by period				Total
	Demand	1 year or less	1-5 years	Over 5 years	
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 trustee 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 trustee 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

Percentage (%)	Defined benefit pension plans	
	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	
	Defined benefit pension plans	Other post-employment benefits	Defined benefit pension plans	Other post-employment benefits
Percentage (%)				
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	
	Defined benefit pension plans	Other post-employment benefits	Defined benefit pension plans	Other post-employment benefits
Percentage (%)				
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:

December 31, 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	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)

December 31, 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	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.

	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
December 31, 2023					
Euro-denominated debt	10	(10)	(10)	-	-
Cross-currency swaps	35	(35)	(35)	-	-
Foreign exchange forward contracts	(17)	17	17	-	-
	28	(28)	(28)	-	-

	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
December 31, 2022					
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
	Gross amount of financial instruments presented in the balance sheet	Related amounts not set off in the balance sheet		Net exposure
		Offsetting counterparty position ^[1]	Financial collateral received / pledged ^[2]	
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
	Gross amount of financial instruments presented in the balance sheet	Related amounts not set off in the balance sheet		Net exposure
		Offsetting counterparty position ^[1]	Financial collateral received / pledged ^[2]	
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.

		Mortgage and other loans	Shares and investments in jointly controlled corporations and associates				Limited-life and redeemable fund units	Assets held for sale	Other assets (liabilities)	
December 31, 2023	Bonds				Investment properties	Derivatives, net				Total
	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	Available for sale	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]							
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			Total
	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	
Year ended December 31, 2023								
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			Total
	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	
Year ended December 31, 2022								
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 LLP¹

¹ CPA auditor, public accountancy permit No. TA149936

March 20, 2024
Montréal, Québec