

CONSOLIDATED
FINANCIAL STATEMENTS

20
23

For the year ended
December 31, 2023

GREAT-WEST
LIFECO INC.

Consolidated Statements of Earnings

(in Canadian \$ millions except per share amounts)

	For the years ended December 31	
	2023	2022 (Restated)
Insurance service result		
Insurance revenue (note 12)	\$ 20,402	\$ 19,632
Insurance service expenses (note 13)	(15,777)	(15,272)
Net expense from reinsurance contracts	(1,544)	(1,531)
	<u>3,081</u>	<u>2,829</u>
Net investment result (note 6)		
Net investment income	8,864	7,594
Changes in fair value on fair value through profit or loss assets	6,489	(31,000)
	<u>15,353</u>	<u>(23,406)</u>
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
	<u>1,533</u>	<u>2,606</u>
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
	<u>—</u>	<u>—</u>
Other income and expenses		
Fee and other income	5,874	5,158
Operating and administrative expenses (note 13)	(6,402)	(5,604)
Amortization of finite life intangible assets (note 9)	(366)	(354)
Financing costs (note 19)	(426)	(393)
Restructuring and integration expenses	(226)	(178)
	<u>3,068</u>	<u>4,064</u>
Earnings before income taxes		
Income taxes (note 29)	53	394
	<u>3,015</u>	<u>3,670</u>
Net earnings from continuing operations before non-controlling interests		
Attributable to non-controlling interests (note 21)	23	(88)
	<u>2,992</u>	<u>3,758</u>
Net earnings from continuing operations before preferred share dividends		
Preferred share dividends (note 23)	130	130
	<u>2,862</u>	<u>3,628</u>
Net earnings from continuing operations		
Net earnings (loss) from discontinued operations (note 4)	(124)	(32)
	<u>\$ 2,738</u>	<u>\$ 3,596</u>
Earnings per common share (note 23)		
Basic	\$ 2.94	\$ 3.86
Diluted	\$ 2.93	\$ 3.86
Earnings per common share from continuing operations (note 23)		
Basic	\$ 3.07	\$ 3.89
Diluted	\$ 3.07	\$ 3.89

Consolidated Statements of Comprehensive Income

(in Canadian \$ millions)

	For the years ended December 31	
	2023	2022 (Restated)
Net earnings - common shareholders, before preferred dividends	\$ 2,868	\$ 3,726
Other comprehensive income (loss)		
Items that may be reclassified subsequently to Consolidated Statements of Earnings		
Unrealized foreign exchange gains (losses) on translation of foreign operations	(19)	422
Unrealized gains (losses) on hedges of the net investment in foreign operations	(64)	88
Income tax (expense) benefit	(6)	28
Unrealized gains (losses) on bonds and mortgages at fair value through other comprehensive income	281	(1,193)
Income tax (expense) benefit	(97)	223
Realized (gains) losses on bonds and mortgages at fair value through other comprehensive income	248	71
Income tax expense (benefit)	(19)	(8)
Unrealized gains (losses) on cash flow hedges	133	(45)
Income tax (expense) benefit	(36)	12
Realized (gains) losses on cash flow hedges	(94)	—
Income tax expense (benefit)	25	—
Non-controlling interests	(135)	257
Income tax (expense) benefit	40	(74)
Total items that may be reclassified	257	(219)
Items that will not be reclassified to Consolidated Statements of Earnings		
Re-measurements on defined benefit pension and other post-employment benefit plans (note 26)	(127)	505
Income tax (expense) benefit	36	(130)
Non-controlling interests	11	(41)
Income tax (expense) benefit	(3)	11
Total items that will not be reclassified	(83)	345
Total other comprehensive income (loss)	174	126
Comprehensive income	\$ 3,042	\$ 3,852

Consolidated Balance Sheets

(in Canadian \$ millions)

	December 31 2023	December 31 2022	January 1 2022
		(Restated)	(Restated)
Assets			
Cash and cash equivalents (note 5)	\$ 7,742	\$ 7,290	\$ 6,075
Bonds (note 6)	157,051	156,091	142,655
Mortgage loans (note 6)	38,414	37,197	29,357
Stocks (note 6)	15,733	14,301	14,225
Investment properties (note 6)	7,870	8,344	7,763
	226,810	223,223	200,075
Insurance contract assets (note 14)	1,193	1,140	1,533
Reinsurance contract held assets (note 15)	17,332	17,571	21,843
Assets held for sale (note 4)	4,467	—	—
Goodwill (note 9)	11,249	10,611	9,107
Intangible assets (note 9)	4,484	6,230	5,514
Derivative financial instruments (note 30)	2,219	2,314	967
Owner occupied properties (note 10)	731	724	736
Fixed assets (note 10)	335	399	422
Accounts and interest receivable	4,863	4,355	3,210
Other assets (note 11)	14,483	15,949	14,435
Current income taxes	260	338	268
Deferred tax assets (note 29)	1,848	1,470	1,325
Investments on account of segregated fund policyholders (note 17)	422,956	387,882	357,419
Total assets	\$ 713,230	\$ 672,206	\$ 616,854
Liabilities			
Insurance contract liabilities (note 14)	\$ 144,388	\$ 135,438	\$ 157,910
Investment contract liabilities (note 16)	88,919	94,810	53,694
Reinsurance contract held liabilities (note 15)	648	537	1,290
Liabilities held for sale (note 4)	2,407	—	—
Debentures and other debt instruments (note 18)	9,046	10,509	8,804
Derivative financial instruments (note 30)	1,288	1,639	1,030
Accounts payable	3,216	2,758	2,469
Other liabilities (note 20)	9,587	8,913	6,293
Current income taxes	137	152	193
Deferred tax liabilities (note 29)	787	773	677
Insurance contracts on account of segregated fund policyholders (note 17)	60,302	57,841	65,253
Investment contracts on account of segregated fund policyholders (note 17)	362,654	330,041	292,166
Total liabilities	683,379	643,411	589,779
Equity			
Non-controlling interests (note 21)			
Participating account surplus in subsidiaries	2,847	2,734	2,984
Non-controlling interests in subsidiaries	168	152	130
Shareholders' equity			
Share capital (note 22)			
Limited recourse capital notes	1,500	1,500	1,500
Preferred shares	2,720	2,720	2,720
Common shares	6,000	5,791	5,748
Accumulated surplus	15,492	14,976	13,214
Accumulated other comprehensive income (note 27)	890	713	587
Contributed surplus	234	209	192
Total equity	29,851	28,795	27,075
Total liabilities and equity	\$ 713,230	\$ 672,206	\$ 616,854

Approved by the Board of Directors:



Jeffrey Orr
Chair of the Board



Paul Mahon
President and Chief Executive Officer

Consolidated Statements of Changes in Equity

(in Canadian \$ millions)

	December 31, 2023					
	Share capital	Contributed surplus	Accumulated surplus	Accumulated other comprehensive income (loss)	Non-controlling interests	Total equity
Balance, beginning of year (restated)	\$ 10,011	\$ 209	\$ 14,976	\$ 713	\$ 2,886	\$ 28,795
Impact of initial application of IFRS 9 (note 3)	—	—	(33)	3	—	(30)
Revised balance, beginning of year	10,011	209	14,943	716	2,886	28,765
Net earnings - common shareholders, before preferred dividends	—	—	2,868	—	23	2,891
Other comprehensive income (loss)	—	—	—	174	87	261
	10,011	209	17,811	890	2,996	31,917
Dividends to shareholders						
Preferred shareholders (note 23)	—	—	(130)	—	—	(130)
Common shareholders	—	—	(1,937)	—	—	(1,937)
Issued in business acquisition	89	—	—	—	—	89
Shares exercised and issued under share-based payment plans (note 22)	158	(51)	—	—	36	143
Shares purchased and cancelled under normal course issuer bid (note 22)	(233)	—	—	—	—	(233)
Excess of redemption proceeds over stated capital per normal course issuer bid (note 22)	195	—	(195)	—	—	—
Equity settlement of Putnam share-based plans	—	—	—	—	(13)	(13)
Shares cancelled under Putnam share-based plans	—	3	—	—	2	5
Share-based payment plans expense	—	73	—	—	—	73
Acquisition of non-controlling interest in subsidiary	—	—	(27)	—	(36)	(63)
Dilution loss on non-controlling interests	—	—	(30)	—	30	—
Balance, end of year	\$ 10,220	\$ 234	\$ 15,492	\$ 890	\$ 3,015	\$ 29,851

	December 31, 2022 (Restated)					
	Share capital	Contributed surplus	Accumulated surplus	Accumulated other comprehensive income (loss)	Non-controlling interests	Total equity
Balance, beginning of year	\$ 9,968	\$ 192	\$ 16,424	\$ 632	\$ 3,267	\$ 30,483
Impact of initial application of IFRS 17 (note 3)	—	—	(4,835)	—	(517)	(5,352)
Impact of initial application of IFRS 9 overlay (note 3)	—	—	1,625	(45)	364	1,944
Revised balance, beginning of year	9,968	192	13,214	587	3,114	27,075
Net earnings - common shareholders, before preferred dividends	—	—	3,726	—	(88)	3,638
Other comprehensive income (loss)	—	—	—	126	(153)	(27)
	9,968	192	16,940	713	2,873	30,686
Dividends to shareholders						
Preferred shareholders (note 23)	—	—	(130)	—	—	(130)
Common shareholders	—	—	(1,826)	—	—	(1,826)
Shares exercised and issued under share-based payment plans (note 22)	43	(54)	—	—	50	39
Equity settlement of Putnam share-based plans	—	—	—	—	(66)	(66)
Shares cancelled under Putnam share-based plans	—	4	—	—	(4)	—
Share-based payment plans expense	—	67	—	—	—	67
Preferred share redemption costs	—	—	(4)	—	—	(4)
Recognition of non-controlling interest	—	—	—	—	15	15
Disposal of investment in subsidiary	—	—	8	—	6	14
Dilution loss on non-controlling interests	—	—	(12)	—	12	—
Balance, end of year	\$ 10,011	\$ 209	\$ 14,976	\$ 713	\$ 2,886	\$ 28,795

Consolidated Statements of Cash Flows

(in Canadian \$ millions)

For the years
ended December 31

	2023	2022
		(Restated)
Operations ¹		
Earnings before income taxes	\$ 2,914	\$ 4,039
Income taxes paid, net of refunds received	(423)	(348)
Adjustments:		
Change in insurance contract liabilities	9,316	(25,355)
Change in investment contract liabilities	(4,561)	(8,124)
Change in reinsurance contract held liabilities	170	(1,232)
Change in reinsurance contract held assets	5	5,614
Change in insurance contract assets	(480)	1,168
Changes in fair value through profit or loss	(6,489)	31,000
Sales, maturities and repayments of portfolio investments	38,507	34,449
Purchases of portfolio investments	(35,253)	(37,553)
Other	1,497	114
	5,203	3,772
Financing Activities		
Issue of common shares	158	43
Purchased and cancelled common shares	(233)	—
Issue of euro denominated debt	—	691
Repayment of euro denominated debt	(735)	—
Increase in line of credit of subsidiaries	61	1,096
Decrease in line of credit of subsidiaries	(734)	(495)
Increase in debentures and other debt instruments	—	5
Preferred share redemption costs	—	(4)
Dividends paid on common shares	(1,937)	(1,826)
Dividends paid on preferred shares	(130)	(130)
	(3,550)	(620)
Investment Activities ¹		
Investment in associates and joint ventures	(223)	(63)
Business acquisitions, net of cash and cash equivalents acquired	(563)	(2,155)
	(786)	(2,218)
Effect of changes in exchange rates on cash and cash equivalents	(40)	281
Increase in cash and cash equivalents	827	1,215
Cash and cash equivalents, beginning of year	7,290	6,075
Cash and cash equivalents from continuing and discontinued operations, end of year	\$ 8,117	\$ 7,290
Less: Cash and cash equivalents from discontinued operations, end of year (note 4)	375	—
Cash and cash equivalents from continuing operations, end of year	\$ 7,742	\$ 7,290
Supplementary cash flow information		
Interest income received	\$ 7,332	\$ 5,833
Interest paid	453	408
Dividend income received	422	403

¹ The cash flows related to the sales, maturities, repayments and purchases of portfolio investments have been reclassified to the Operations section to better represent the operating cash flows of the Company. This activity had previously been presented in the Investment Activities section.

(in Canadian \$ millions except per share amounts and where otherwise indicated)

1. Corporate Information

Great-West Lifeco Inc. (Lifeco or the Company) is a publicly listed company (Toronto Stock Exchange: GWO), incorporated and domiciled in Canada. The registered address of the Company is 100 Osborne Street North, Winnipeg, Manitoba, Canada, R3C 1V3. Lifeco is a member of the Power Corporation of Canada (Power Corporation) group of companies and is a subsidiary of Power Corporation.

Lifeco is a financial services holding company with interests in the life insurance, health insurance, retirement savings, wealth and asset management, and reinsurance businesses, primarily in Canada, the United States and Europe through its operating subsidiaries including The Canada Life Assurance Company (Canada Life), Empower Annuity Insurance Company of America (Empower) and Putnam Investments, LLC (Putnam).¹

The consolidated financial statements (financial statements) of the Company as at and for the year ended December 31, 2023 were approved by the Board of Directors on February 14, 2024.

¹ Subsequent to December 31, 2023, on January 1, 2024, Lifeco completed the sale of Putnam US Holdings I, LLC (excluding PanAgora Holdings Inc. and its subsidiary PanAgora Asset Management Inc.) to Franklin Resources Inc. (note 4). Putnam US Holdings I, LLC was a subsidiary of Putnam Investments, LLC.

2. Basis of Presentation and Summary of Material Accounting Policies

The consolidated financial statements of the Company have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Consistent accounting policies were applied in the preparation of the consolidated financial statements of the subsidiaries of the Company.

Changes in Accounting Policies

The Company adopted IFRS 17, *Insurance Contracts* (IFRS 17) and IFRS 9, *Financial Instruments* (IFRS 9) on their effective date of January 1, 2023 which replaced IFRS 4, *Insurance Contracts* (IFRS 4) and International Accounting Standard 39, *Financial Instruments* (IAS 39), respectively.

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts. Under IFRS 17, groups of contracts are measured as the estimate of the present value of fulfillment cash flows, adjusted for an explicit risk adjustment for non-financial risk and the contractual service margin (CSM).

IFRS 9 provides changes to financial instruments accounting for the following: classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset; impairment based on an expected loss model; and hedge accounting that incorporates the risk management practices of an entity.

As permitted under IFRS 9, the Company has elected to continue to apply the hedge accounting principles under IAS 39 instead of those under IFRS 9.

The accounting policies materially impacted by the adoption of IFRS 17 and IFRS 9 are included in sections (a) Portfolio Investments, (h) Derivative Financial Instruments and Hedging, and (o) Insurance Contracts, Investment Contracts and Reinsurance Contracts Held below.

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

The Company adopted the amendments to IFRS for IAS 12, *Income Taxes* effective May 2023 and has applied the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two model rules published by the Organization for Economic Co-operation and Development (OECD).

Basis of Consolidation

The consolidated financial statements of the Company were prepared as at and for the year ended December 31, 2023 with comparative information as at and for the year ended December 31, 2022. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The Company has control when it has the power to direct the relevant activities, has significant exposure to variable returns from these activities and has the ability to use its power to affect the variable returns. All intercompany balances and transactions, including income and expenses, profits or losses and dividends, are eliminated on consolidation.

Use of Significant Judgments, Estimates and Assumptions

In preparation of these consolidated financial statements, management is required to make significant judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, net earnings and related disclosures. Although some uncertainty is inherent in these judgments and estimates, management believes that the amounts recorded are reasonable. Key sources of estimation uncertainty and areas where significant judgments have been made are listed below and discussed throughout the notes to these consolidated financial statements including:

- Management applies judgment in determining the fair value of assets acquired and liabilities assumed in a business combination.
- Management applies judgment in determining the assets and liabilities to be included in a disposal group, and uses estimates in the determination of the fair value for disposal groups, including contingent consideration and costs to sell (note 4).

Notes to the Consolidated Financial Statements

- Management uses independent qualified appraisal services to determine the fair value of investment properties, which utilize judgments and estimates. These appraisals are adjusted by applying management judgments and estimates for material changes in property cash flows, capital expenditures or general market conditions (note 6).
- Management uses internal valuation models which utilize judgments and estimates to determine the fair value of equity release mortgages. These valuations are adjusted by applying management judgments and estimates for material changes in projected asset cash flows, and discount rates (note 6).
- In the determination of the fair value of financial instruments, the Company's management exercises judgment in the determination of fair value inputs, particularly those items categorized within level 3 of the fair value hierarchy (note 8).
- Cash generating units for intangible assets and cash generating unit groupings for goodwill have been determined by management as the lowest level that the assets are monitored for internal reporting purposes, which requires management judgment in the determination of the lowest level of monitoring (note 9).
- Management evaluates the future benefit for initial recognition and measurement of goodwill and intangible assets as well as testing the recoverable amounts. The determination of the carrying value and recoverable amounts of the cash generating unit groupings for goodwill and cash generating units for intangible assets relies upon the determination of fair value or value-in-use using valuation methodologies (note 9).
- Management applies judgment in determining whether deferred acquisition costs and deferred income reserves can be recognized on the Consolidated Balance Sheets. Deferred acquisition costs are recognized if management determines the costs meet the definition of an asset, are incremental and related to the issuance of the investment contract (notes 11 and 20).
- Management applies judgment when evaluating the classification of insurance and reinsurance contracts to determine whether these arrangements should be accounted for as insurance, investment or service contracts.
- The actuarial assumptions, such as mortality, longevity, morbidity, expense and policyholder behaviour, used in the valuation of insurance and certain investment contract liabilities require judgment and estimation (notes 14 and 16).
- Management applies judgment in determining the coverage units which are based on an estimate of the quantity of coverage provided by the contracts in a group, considering the quantity of benefits provided and the expected coverage duration.
- The Company considers all terms of contracts it issues to determine whether there are amounts payable to the policyholder in all circumstances, regardless of contract cancellation, maturity, and the occurrence or non-occurrence of an insured event. Some amounts, once paid by the policyholder, are repayable to the policyholder in all circumstances. The Company considers such payments to meet the definition of an investment component, irrespective of whether the amount repayable varies over the term of the contract as the amount is repayable only after it has first been paid by the policyholder.
- In determining discount rates to apply to most insurance contract liability cash flows, the Company generally uses the top-down approach for cash flows of non-participating contracts that do not depend on underlying items. Applying this approach, the Company uses the yield curve implied in a reference portfolio of assets and adjusts it to exclude the effects of risks (e.g., credit risk) present in the cash flows from the financial instruments that are part of the reference portfolio, but not in the insurance cash flows. One of the key sources of estimation uncertainty is estimating the market risk premiums for credit risk of the underlying items that are only relevant to assets included in the reference portfolio, but not to the non-participating contracts. For some products, discount rates are set using a bottom-up approach, based on risk-free rates, plus an illiquidity premium, which also requires judgment (note 14).
- When determining the risk adjustment for non-financial risk, the Company applies judgment in reflecting diversification and calculating the confidence level.
- The determination of whether a contract or a group of contracts is onerous is based on the expectations as at the date of initial recognition and subsequently, with fulfillment cash flow expectations determined on a probability-weighted basis. The Company determines the appropriate level at which reasonable and supportable information is available to make this assessment. The Company applies judgment in determining at what level of granularity the Company has sufficient information to conclude that all contracts within a set will be in the same group.
- For contracts issued more than several years prior to the IFRS 17 effective date, the Company applied judgment in determining that obtaining reasonable and supportable information to apply the full retrospective approach was impracticable without undue cost or effort.
- The Company used judgment in determining which insurance contracts to apply the fair value approach to upon transition to IFRS 17, and applied significant judgment in determining the critical assumptions and estimates in determining the fair value for these contracts.
- The measurement of impairment losses under IFRS 9 across relevant financial assets requires judgment, in particular for the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk.
- The actuarial assumptions used in determining the expense and benefit obligations for the Company's defined benefit pension plans and other post-employment benefits requires judgment and estimation. Management reviews previous experience of its plan members and market conditions including interest rates and inflation rates in evaluating the assumptions used in determining the expense for the current year (note 26).
- The Company operates within various tax jurisdictions where management judgments and estimates are required when interpreting the relevant tax laws, regulations and legislation in the determination of the Company's tax provisions and the carrying amounts of its tax assets and liabilities (note 29).

Notes to the Consolidated Financial Statements

- Management applies judgment in assessing the recoverability of the deferred income tax asset carrying values based on future years' taxable income projections (note 29).
- Legal and other provisions are recognized resulting from a past event which, in the judgment of management, has resulted in a probable outflow of economic resources which would be passed to a third-party to settle the obligation. Management applies judgment in evaluating the possible outcomes and risks in determining the best estimate of the provision at the balance sheet date (note 31).
- The operating segments of the Company are the segments reviewed by the Company's Chief Executive Officer to assess performance and allocate resources within the Company. Management applies judgment in the aggregation of the business units into the Company's operating segments (note 33).
- The Company consolidates all subsidiaries and entities which management determines that the Company controls. Control is evaluated on the ability of the Company to direct the activities of the subsidiary or entity to derive variable returns and management applies judgment in determining whether control exists. Judgment is exercised in the evaluation of the variable returns and in determining the extent to which the Company has the ability to exercise its power to generate variable returns.
- Management applies judgment when determining whether the Company retains the primary obligation with a client in sub-advisor arrangements. Where the Company retains the primary obligation to the client, revenue and expenses are recorded on a gross basis.
- The results of the Company reflect management's judgments regarding the impact of prevailing global credit, equity and foreign exchange market conditions. The Company's practice is to use third-party independent credit ratings where available. Judgment is required when setting credit ratings for instruments that do not have a third-party rating.

The material accounting policies are as follows:

(a) Portfolio Investments

Portfolio investments include bonds, mortgage loans, stocks and investment properties.

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

The Company's business models are determined at the level that reflects how its groups of financial assets are managed together to achieve business objectives.

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

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

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

- It is held in a business model whose objective is to hold to collect contractual cash flows, and
- Its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

FVOCI investments are recognized at fair value on the Consolidated Balance Sheets with unrealized gains and losses recorded in the Consolidated Statements of Other Comprehensive Income. Realized gains and losses on FVOCI bond and mortgage investments are reclassified from other comprehensive income and recorded in the Consolidated Statements of Earnings when the investment is sold.

Any financial asset that does not qualify for measurement at amortized cost or FVOCI is classified as FVTPL. For financial instruments that meet the amortized cost or FVOCI criteria, the Company may exercise the option to designate, at initial recognition, such financial instruments as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Investments measured as FVTPL are recognized at fair value on the Consolidated Balance Sheets with realized and unrealized gains and losses recorded in the Consolidated Statements of Earnings.

Investments in stocks, except for those where the Company exerts significant influence, are classified on initial recognition as FVTPL unless an irrevocable designation is made to classify an individual instrument as FVOCI.

Interest income earned on bonds and mortgages is calculated using the effective interest method and is recorded within net investment result in the Consolidated Statements of Earnings.

Investment properties are real estate held to earn rental income or for capital appreciation. Investment properties are initially measured at cost and subsequently carried at fair value on the Consolidated Balance Sheets. All changes in fair value are recorded within the net investment result in the Consolidated Statements of Earnings. Properties held to earn rental income or for capital appreciation that have an insignificant portion that is owner occupied or where there is no intent to occupy on a long-term basis are classified as investment properties. Properties that do not meet these criteria are classified as owner occupied properties. Property that is leased that would otherwise be classified as investment property if owned by the Company is also included within investment properties.

Fair Value Measurement

The following is a description of the methodologies used to value instruments carried at fair value:

Bonds - FVTPL and FVOCI

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

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

Mortgages - FVTPL and FVOCI

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

Equity Release Mortgages - FVTPL

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

Stocks - FVTPL

Fair values for stocks traded on an active market are generally determined by the last bid price for the security from the exchange where it is principally traded. Fair values for stocks for which there is no active market are typically based upon alternative valuation techniques such as discounted cash flow analysis, review of price movement relative to the market and utilization of information provided by the underlying investment manager. The Company maximizes the use of observable inputs when measuring fair value. The Company obtains quoted prices in active markets, when available, for identical assets at the balance sheet date to measure stocks at fair value in its FVTPL portfolio.

Investment Properties

Fair values for investment properties are determined using independent qualified appraisal services and include management adjustments for material changes in property cash flows, capital expenditures or general market conditions in the interim period between appraisals. The determination of the fair value of investment property requires the use of estimates including future cash flows (such as future leasing assumptions, rental rates, capital and operating expenditures) and discount, reversionary and overall capitalization rates applicable to the asset based on current market conditions. Investment property under construction is valued at fair value if such values can be reliably determined; otherwise they are recorded at cost.

Net Investment Income Recognition

Interest income on bonds and mortgages is recognized and accrued using the effective interest method.

Dividend income is recognized when the right to receive payment is established. This is the ex-dividend date for listed stocks, and usually the notification date or date when the shareholders have approved the dividend for private equity instruments.

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

Expected Credit Losses

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

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

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

Measurement of Expected Credit Losses

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

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

Stage 1

Performing financial assets that have not experienced a significant increase in credit risk since initial recognition or have low credit risk are categorized into stage 1. A 12-month ECL allowance is calculated for stage 1 financial assets. To assess if credit risk has increased significantly, the Company compares the risk of default at initial recognition to the risk as at the current reporting date.

Stage 2

Performing financial assets that have experienced a significant increase in credit risk since initial recognition are categorized into stage 2. A lifetime ECL allowance is calculated for stage 2 financial assets. Financial assets are assessed for a significant increase in credit risk on an individual basis, utilizing the Company's internal credit risk rating system and the monitoring of timely payments on the assets. Financial assets that have contractual payments more than 30 days past due are generally presumed to have experienced a significant increase in credit risk and are included in stage 2. A financial asset in stage 2 can revert to stage 1 if the credit risk subsequently improves.

Stage 3

Impaired financial assets are categorized into stage 3 and require a lifetime ECL allowance. Financial assets are reviewed regularly on an individual basis to determine impairment status. The Company considers various factors in the impairment evaluation process, including, but not limited to, the financial condition of the issuer, specific adverse conditions affecting an industry or region, decline in fair value not related to interest rates, bankruptcy or defaults, and delinquency in payments of interest or principal. Financial assets are deemed to be impaired when there is objective evidence that timely collection of future cash flows can no longer be reliably estimated. The fair value of a financial asset is not a definitive indicator of impairment, as it may be significantly influenced by other factors including the remaining term to maturity and liquidity of the asset; however, market price is taken into consideration when evaluating impairment.

Presentation of Expected Credit Losses

The ECL allowance for financial assets classified as FVOCI is recognized in the Consolidated Statements of Other Comprehensive Income and does not reduce the carrying value of the asset. Financial assets classified as amortized cost are presented net of the ECL allowance in the Consolidated Balance Sheets.

When there is no expectation of recovery, the Company will partially or fully write off a financial asset against the related allowance for credit loss. Financial assets that are written off could still be subject to enforcement activities. In subsequent periods, any recoveries of amounts previously written off are credited to the provision for credit losses and are recognized within the net investment result in the Consolidated Statements of Earnings.

Modified Financial Assets

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

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

Definition of Default

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

Securities Lending

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

(b) Transaction Costs

Transaction costs are expensed as incurred for financial instruments classified as FVTPL. Transaction costs are capitalized for all other classifications of financial instruments at acquisition, and taken into net earnings using the effective interest method for fixed income instruments or when sold for equity instruments.

(c) Cash and Cash Equivalents

Cash and cash equivalents comprise cash, current operating accounts, overnight bank and term deposits with maturities of three months or less held for the purpose of meeting short-term cash requirements. Net payments in transit and overdraft bank balances are included in other liabilities.

(d) Trading Account Assets

Trading account assets consist of investments in sponsored funds, open ended investment companies and sponsored unit-trusts, which are carried at fair value based on the net asset value of these funds. Investments in these assets are included in other assets on the Consolidated Balance Sheets with realized and unrealized gains and losses reported in the Consolidated Statements of Earnings.

(e) Debentures and Other Debt Instruments and Capital Trust Securities

Debentures and other debt instruments and capital trust securities are initially recorded on the Consolidated Balance Sheets at fair value and subsequently carried at amortized cost using the effective interest method with amortization expense recorded in financing costs in the Consolidated Statements of Earnings. These liabilities are derecognized when the obligation is cancelled or redeemed.

(f) Other Assets and Other Liabilities

Other assets, which include prepaid expenses, deferred acquisition costs, finance leases receivable, right-of-use assets and other miscellaneous assets, are measured at cost or amortized cost. Other liabilities, which include deferred income reserves, bank overdraft, lease liabilities and other miscellaneous liabilities are measured at cost or amortized cost.

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

Pension and other post-employment benefits also included within other assets and other liabilities are measured in accordance with note 2(s).

(g) Disposal Group Classified As Held For Sale and Discontinued Operations

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

Disposal group assets and liabilities classified as held for sale are presented separately on the Company's Consolidated Balance Sheets. Gains and losses from disposal groups held for sale are presented separately in the Company's Consolidated Statements of Earnings.

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

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

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

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount in net earnings (loss) from discontinued operations in the Consolidated Statements of Earnings.

When an operation is classified as a discontinued operation, the comparative Consolidated Statements of Earnings is re-presented as if the operation had been discontinued from the beginning of the comparative year.

(h) Derivative Financial Instruments and Hedging

The Company uses derivative products as risk management instruments to hedge or manage asset, liability and capital positions, including fee and investment income. The Company's policy guidelines prohibit the use of derivative instruments for speculative trading purposes.

Notes to the Consolidated Financial Statements

The Company includes disclosure of the maximum credit risk, future credit exposure, credit risk equivalent and risk weighted equivalent in note 30 as prescribed by the Office of the Superintendent of Financial Institutions (OSFI) in Canada.

All derivatives including those that are embedded in financial and non-financial contracts that are not closely related to the host contracts are recorded at fair value on the Consolidated Balance Sheets. The method of recognizing unrealized and realized fair value gains and losses depends on whether the derivatives are designated as hedging instruments. For derivatives that are not designated as hedging instruments, unrealized and realized gains and losses are recorded within the net investment result in the Consolidated Statements of Earnings. For derivatives designated as hedging instruments, unrealized and realized gains and losses are recognized according to the nature of the hedged item.

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

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

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

Derivatives Not Designated as Hedges for Accounting Purposes

For derivative investments not designated as accounting hedges, changes in fair value are recorded in the net investment result.

Fair Value Hedges

For fair value hedges, changes in fair value of both the hedging instrument and the hedged risk are recorded in the net investment result and consequently any ineffective portion of the hedge is recorded immediately in the net investment result.

The Company currently uses foreign exchange forward contracts designated as fair value hedges.

Cash Flow Hedges

For cash flow hedges, the effective portion of the changes in fair value of the hedging instrument is recorded in the same manner as the hedged item while the ineffective portion is recognized immediately in the net investment result. Gains and losses that accumulate in other comprehensive income are recorded in the net investment result in the same period the hedged item affects net earnings. Gains and losses on cash flow hedges are immediately reclassified from other comprehensive income to the net investment result if and when it is probable that a forecasted transaction is no longer expected to occur.

The Company currently uses interest rate swaps, cross-currency swaps and equity total return swaps designated as cash flow hedges.

Net Investment Hedges

For net investment hedges, the effective portion of changes in the fair value of the hedging instrument are recorded in other comprehensive income while the ineffective portion is recognized immediately in the net investment result. The unrealized foreign exchange gains (losses) on the instruments are recorded within accumulated other comprehensive income and will be reclassified into net earnings when the Company disposes of the foreign operation.

The Company currently uses cross-currency swaps, foreign exchange forward contracts, and debt instruments designated as net investment hedges.

(i) Foreign Currency Translation

The Company operates with multiple functional currencies. The Company's consolidated financial statements are presented in Canadian dollars as this presentation is most meaningful to financial statement users. For those subsidiaries with different functional currencies, exchange rate differences arising from the translation of monetary items that form part of the net investment in the foreign operation are recorded in unrealized foreign exchange gains (losses) on translation of foreign operations in other comprehensive income.

For the purpose of presenting consolidated financial statements, assets and liabilities are translated into Canadian dollars at the rate of exchange prevailing at the balance sheet dates and all income and expense items are translated at an average of daily rates. Unrealized foreign currency translation gains and losses on translation of the Company's net investment in its foreign operations are presented separately as a component of other comprehensive income. Unrealized gains and losses will be recognized proportionately within the Consolidated Statements of Earnings when there has been a disposal of the investment in the foreign operations.

Foreign currency translation gains and losses on foreign currency transactions of the Company are included in the net investment result.

(j) Business Combinations, Goodwill and Intangible Assets

Business combinations are accounted for using the acquisition method. The Company identifies and classifies, in accordance with the Company's accounting policies, all assets acquired and liabilities assumed as at the acquisition date. Goodwill represents the excess of purchase consideration over the fair value of net assets of the acquired subsidiaries of the Company. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

Intangible assets represent finite life and indefinite life intangible assets of acquired subsidiaries of the Company and software acquired or internally developed by the Company. Finite life intangible assets include the value of technology/software, certain customer contracts and distribution channels. These finite life intangible assets are amortized over their estimated useful lives, typically ranging between 3 and 30 years.

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

Impairment Testing

Goodwill and indefinite life intangible assets, including those resulting from an acquisition during the year, are tested for impairment annually or more frequently if events indicate that impairment may have occurred. Intangible assets that were previously impaired are reviewed at each reporting date for evidence of reversal. In the event that certain conditions have been met, the Company would be required to reverse the impairment loss or a portion thereof.

Goodwill has been allocated to cash generating unit groupings, representing the lowest level that the assets are monitored for internal reporting purposes. Goodwill is tested for impairment by comparing the carrying value of each cash generating unit grouping to its recoverable amount. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

Intangible assets have been allocated to cash generating units, representing the lowest level that the assets are monitored for internal reporting purposes.

Intangible assets with an indefinite useful life are reviewed annually to determine if there are indicators of impairment. If indicators of impairment have been identified, a test for impairment is performed and recognized as necessary. Impairment is assessed by comparing the carrying values of the assets to their recoverable amounts. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of the asset's fair value less costs of disposal and value-in-use.

Finite life intangible assets are reviewed annually to determine if there are indicators of impairment and assess whether the amortization periods and methods are appropriate. If indicators of impairment have been identified, a test for impairment is performed and then the amortization of these assets is adjusted or impairment is recognized as necessary.

(k) Fee and Other Income Recognition

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

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

(l) Owner Occupied Properties and Fixed Assets

Property held for own use and fixed assets are carried at cost less accumulated depreciation, disposals and impairments. Depreciation is expensed over the estimated useful lives of the assets, using the straight-line method, on the following bases:

Owner occupied properties	15 - 20 years
Furniture and fixtures	5 - 10 years
Other fixed assets	3 - 10 years

Depreciation methods, useful lives and residual values are reviewed at least annually and adjusted if necessary.

(m) Deferred Acquisition Costs

Included in other assets are deferred acquisition costs related to investment contracts and service contracts. These are recognized as assets if the costs are incremental and incurred due to the contract being issued and are primarily amortized on a straight-line basis over the term of the contract, not to exceed 20 years.

(n) Segregated Funds

Segregated fund assets and liabilities arise from contracts where all financial risks associated with the related assets are borne by policyholders and are presented separately on the Consolidated Balance Sheets. The assets and liabilities are set equal to the fair value of the underlying asset portfolio. Segregated fund 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 a corresponding change in the segregated fund liabilities. The Company accounts for guarantees on its segregated fund products within insurance contract liabilities on the Consolidated Balance Sheets.

(o) Insurance Contracts, Investment Contracts and Reinsurance Contracts Held

Contract Classification

Insurance Contracts

Under IFRS 17, the Company identifies insurance contracts as arrangements where the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or beneficiary of the contract for specified uncertain future events that adversely affect the policyholder and whose amount and timing is unknown.

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

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

Investment Contracts

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

Investment contracts may be reclassified as insurance contracts after inception if insurance risk becomes significant. A contract that is classified as an insurance contract at contract inception remains as such until all rights and obligations under the contract are extinguished or expire. Investment contracts are contracts that carry financial risk, which is the risk of a possible future change in one or more of the following: interest rate, commodity price, foreign exchange rate, or credit rating. Refer to note 7 for discussion of risk management.

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

Reinsurance Contracts Held

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

Separating Components from Insurance and Reinsurance Contracts

At inception, the Company separates the following components from an insurance or reinsurance contract held and accounts for them as if they were stand-alone financial instruments:

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

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

Level of Aggregation

The Company determines its level of aggregation for the insurance contracts issued by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. The Company has defined portfolios of insurance contracts issued based on its product lines. Portfolios are further disaggregated into groups of contracts that are issued within an annual period (typically a financial year) and are further divided into onerous contracts, contracts that have no significant possibility of becoming onerous subsequently, and all other profitable contracts. An insurance contract is onerous if, at the date of initial recognition, the estimated fulfillment cash flow expectations determined on a probability-weighted basis is a net outflow. The Company's evaluation of whether contracts are onerous is based on reasonable and supportable information. The Company has not identified any groups of insurance contracts that have no significant possibility of becoming onerous subsequently.

Notes to the Consolidated Financial Statements

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

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

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

Initial Recognition

The Company recognizes a group of insurance contracts that it issues from the earliest of:

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

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

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

Contract Boundaries

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

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

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

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

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

Measurement of Insurance Contracts

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

- The General Measurement Model (GMM);
- The Variable Fee Approach (VFA); and
- The Premium Allocation Approach (PAA).

The General Measurement Model

The Company applies this model to its medium to long-term insurance products, such as individual protection, payout annuities, and longevity swaps.

Initial Measurement

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

Fulfillment Cash Flows

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

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

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

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

Contractual Service Margin

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

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

Discount Rates

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

The Company applies the top-down approach for insurance contract liabilities with backing assets. Under this approach, discount rates are estimated by starting from the yield curve implied in a reference portfolio of assets that closely reflects the duration, currency, and liquidity characteristics of the insurance cash flows, and then excluding the effects of risks (e.g., credit risk) present in the cash flows from the financial instruments that are part of the reference portfolio, but not in the insurance contracts cash flows. The allowance for credit risk in the discount rate varies depending on the credit rating, sector and term of the assets reflected in the discount rate. The allowance is estimated based on historic credit experience and prevailing market conditions. For example, if there is a significant widening of market credit spreads, an additional allowance for credit risk to reduce the discount rate may be required to reflect prevailing market conditions. The Company uses the fixed-income assets supporting the insurance contract liabilities as the reference portfolio to determine the discount rates, in the observable period, while the discount rates in the unobservable period are based on an ultimate investment rate. In situations where the fixed-income assets supporting the insurance contract liabilities do not appropriately reflect the illiquidity characteristics of the liability, an additional adjustment is made to the discount rate.

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

Risk Adjustment

The risk adjustment for non-financial risk represents the compensation that the Company requires for bearing uncertainty in the amount and timing of insurance contract cash flows due to non-financial risk. Non-financial risks are insurance risks such as life mortality, annuity mortality and morbidity, and other risks such as expense and lapse. The risk adjustment is calculated by applying a margin to non-financial assumptions and discounting the resulting margin cash flows at the same discount rates as the best estimate cash flows. The margins applied reflect diversification benefits across all non-financial risks. The Company's target range for the confidence level of the risk adjustment is between the

Notes to the Consolidated Financial Statements

85th and 90th percentile, and the risk adjustment is currently within the target range. The confidence level is determined on a net-of-reinsurance basis.

Insurance Acquisition Cash Flows

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

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

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

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

Subsequent Measurement

The carrying amount of a group of insurance contracts at each reporting date is the sum of the liability for remaining coverage and the liability for incurred claims.

- The liability for remaining coverage comprises the fulfillment cash flows that relate to services that will be provided under the contracts in future periods and any remaining CSM at that date.
- The liability for incurred claims comprises the fulfillment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported.

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

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

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

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

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

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

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

The Variable Fee Approach

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

Recognition

The Company will recognize an insurance contract under the VFA if it meets all of the following conditions at initial recognition:

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

The Company performs the test for VFA qualification at initial recognition.

Initial Measurement

Similar to the GMM, the VFA initially measures the insurance contract liabilities as the fulfillment cash flows plus CSM.

Subsequent Measurement

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

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

Risk Mitigation

The Company mitigates the financial risks created by guarantees embedded in some of their insurance contracts with direct participation features through the use of derivatives and reinsurance contracts held. The derivatives are in the scope of IFRS 9 with changes in their fair value reflected in the Consolidated Statements of Earnings. In applying risk mitigation, the financial impact on the guarantees embedded in these direct participating contracts do not adjust the CSM and are also reflected in the Consolidated Statements of Earnings.

Premium Allocation Approach

The Company applies this model to its short-term insurance products, such as group life and health.

Recognition

Contracts with Coverage Periods of One Year or Less

The Company applies the PAA to measure the liability for remaining coverage of insurance contracts with coverage periods of one year or less.

Contracts with Coverage Periods of More than One Year

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

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

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

Measurement

Initial Measurement of the Liability for Remaining Coverage

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

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

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

Subsequent Measurement

At the end of each reporting period, the Company measures the liability for remaining coverage for contracts under the PAA as the carrying amount of the liability for remaining coverage at the beginning of the period, adjusted for the following:

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

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

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

Measurement of Reinsurance Contracts Held

The General Measurement Model

The accounting policies used to measure a group of insurance contracts under the GMM apply to the measurement of a group of reinsurance contracts held, with the following modifications:

- The carrying amount of a group of reinsurance contracts held at each reporting date is the sum of the remaining coverage component and the incurred claims component. The remaining coverage component comprises:
 - The fulfillment cash flows that relate to services that will be received under the contracts in future periods; and
 - Any remaining CSM at that date.

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

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

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

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

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

The Premium Allocation Approach

The Company holds reinsurance contracts with the direct insurance contracts it issues. The reinsurance contracts held that are eligible for the PAA and have underlying direct contracts measured under the PAA are also classified and measured under the PAA.

Onerous Underlying Insurance Contracts

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

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

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

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

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

Measurement of Investment Contracts

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

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

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

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

Coverage Units

Amortization of the Contractual Service Margin

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

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

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

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

Insurance Revenue

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

Insurance Finance Income or Expenses

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

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

The Company has elected to recognize insurance finance income or expenses in the Consolidated Statements of Earnings.

Net Income or Expense from Reinsurance Contracts Held

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

Contract Modifications and Derecognition

Contract Modifications

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

Derecognition of Contracts

The Company derecognizes a contract when it is extinguished, which is when the specified obligations in the contract expire or are discharged or cancelled.

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

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

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

When an insurance contract accounted for under the PAA is derecognized, adjustments to the fulfillment cash flows to remove related rights and obligations and account for the effect of the derecognition result in the following amounts being charged immediately to the Consolidated Statements of Earnings:

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

(p) Deferred Income Reserves

Included in other liabilities are deferred income reserves relating to investment contracts. These are amortized on a straight-line basis to recognize the initial policy fees over the policy term, not to exceed 20 years.

(q) Income Taxes

The income tax expense for the period represents the sum of current income tax and deferred income tax. Income tax is recognized as an expense or income in profit or loss except to the extent that it relates to items that are recognized outside profit or loss (whether in other comprehensive income or directly in equity), in which case the income tax is also recognized outside profit or loss.

Current Income Tax

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

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

Deferred Income Tax

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

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

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

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

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

(r) Repurchase Agreements

The Company accounts for certain forward settling to be announced security transactions as derivatives as the Company does not regularly accept delivery of such securities when issued.

(s) Pension Plans and Other Post-Employment Benefits

The Company's subsidiaries maintain contributory and non-contributory defined benefit pension plans for eligible employees and advisors. The Company's subsidiaries also provide post-employment health, dental and life insurance benefits to eligible employees, advisors and their dependents.

The present value of the defined benefit obligations and the related current service cost is determined using the projected unit credit method (note 26). Pension plan assets are recorded at fair value.

For the defined benefit plans of the Company's subsidiaries, service costs and net interest costs are recognized in the Consolidated Statements of Earnings. Service costs include current service cost, administration expenses, past service costs and the impact of curtailments and settlements. To determine the net interest costs (income) recognized in the Consolidated Statements of Earnings, the Company's subsidiaries apply a discount rate to the net benefit liability (asset), where the discount rate is determined by reference to market yields at the beginning of the year on high quality corporate bonds.

For the defined benefit plans of the Company's subsidiaries, re-measurements of the net defined benefit liability (asset) due to asset returns less (greater) than interest income, actuarial losses (gains) and changes in the asset ceiling are recognized in the Consolidated Statements of Comprehensive Income.

The Company's subsidiaries also maintain defined contribution pension plans for eligible employees and advisors. For the defined contribution plans of the Company's subsidiaries, the current service costs are recognized in the Consolidated Statements of Earnings.

(t) Equity

Financial instruments issued by the Company are classified as share capital if they represent a residual interest in the assets of the Company. Preferred share capital is classified as equity if it is non-redeemable, or retractable only at the Company's option and any dividends are discretionary.

Limited recourse capital notes are classified as share capital as the Company has the sole discretion to settle the obligation to noteholders through the issuance of a fixed number of the Company's own equity instruments. Interest incurred on these instruments is expensed within financing costs in the Consolidated Statements of Earnings.

Incremental costs that are directly attributable to the issue of share capital are recognized as a deduction from equity, net of income tax.

Contributed surplus represents the vesting expense on unexercised equity instruments under share-based payment plans.

Accumulated other comprehensive income (loss) represents the total of the unrealized foreign exchange gains (losses) on translation of foreign operations, the unrealized gains (losses) on hedges of the net investment in foreign operations, the unrealized gains (losses) on FVOCI assets, the unrealized gains (losses) on cash flow hedges, the re-measurements on defined benefit pension and other post-employment benefit plans net of tax and the revaluation surplus on transfer to investment properties, where applicable.

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

Participating account surplus in subsidiaries represents the proportion of equity attributable to the participating account of the Company's subsidiaries.

(u) Share-Based Payments

The Company provides share-based compensation to certain employees and Directors of the Company and its subsidiaries.

The Company follows the fair value based method of accounting for the valuation of compensation expense for shares and share options granted to employees under its stock option plans (note 25). This share-based payment expense is recognized in operating and administrative expenses in the Consolidated Statements of Earnings and as an increase to contributed surplus over the vesting period of the granted options. When options are exercised, the proceeds received, along with the amount in contributed surplus, are transferred to share capital.

The Company and certain of its subsidiaries have Deferred Share Unit Plans (DSU Plans) in which the Directors and certain employees of the Company participate. Units issued to Directors under the DSU Plans vest when granted. Units issued to certain employees under the DSU Plans primarily vest over a three year period. The Company recognizes an increase in operating and administrative expenses for the units granted under the DSU Plans. The Company recognizes a liability for units granted under the DSU Plans which is remeasured at each reporting period based on the market value of the Company's common shares.

Certain employees of the Company are entitled to participate in the Performance Share Unit Plan (PSU Plan). Units issued under the PSU Plan vest over a three year period. The Company uses the fair value method to recognize compensation expense for the units granted under the plan over the vesting period, net of related hedges. The liability is remeasured at fair value at each reporting period.

The Company has an Employee Share Ownership Program (ESOP) where, subject to certain conditions being met, the Company will match contributions up to a maximum amount. The Company's contributions are expensed within operating and administrative expenses as incurred.

(v) Earnings Per Common Share

Earnings per common share is calculated using net earnings after preferred share dividends and the weighted average number of common shares outstanding. Diluted earnings per share is calculated by adjusting common shareholders' net earnings and the weighted average number of common shares outstanding for the effects of all potential dilutive common shares assuming that all convertible instruments are converted and outstanding options whose exercise price is less than the average market price of common shares during the period are exercised.

(w) Leases

Where the Company is the lessee, a right-of-use asset and a lease liability are recognized on the Consolidated Balance Sheets as at the lease commencement date.

Right-of-use assets are initially measured based on the initial amount of lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. Right-of-use assets are included within other assets with the exception of right-of-use assets which meet the definition of investment property which are presented within investment properties and subject to the Company's associated accounting policy. Right-of-use assets presented within other assets are depreciated to the earlier of the useful life of the right-of-use asset or the lease term using the straight-line method. Depreciation expense on right-of-use assets is included within operating and administrative expenses.

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company shall use the lessee's incremental borrowing rate. Generally, the Company uses the lessee's incremental borrowing rate as its discount rate. The lease liability is measured at amortized cost using the effective interest method and is included within other liabilities. Interest expense on lease liabilities is included within operating and administrative expenses.

The Company has elected to apply a practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets.

Where the Company is the lessor under an operating lease for its investment property, the assets subject to the lease arrangement are presented within the Consolidated Balance Sheets. Income from these leases is recognized in the Consolidated Statements of Earnings on a straight-line basis over the lease term.

Investments in a lease that transfers substantially all the risks and rewards of ownership to the lessee are classified as a finance lease. The Company is the lessor under a finance lease and the investment is recognized as a receivable at an amount equal to the net investment in the lease, which is represented as the present value of the minimum lease payments due from the lessee and is presented within the Consolidated Balance Sheets. Payments received from the lessee are apportioned between the recognition of finance lease income and the reduction of the finance lease receivable. Income from the finance leases is recognized in the Consolidated Statements of Earnings at a constant periodic rate of return on the Company's net investment in the finance lease.

(x) Operating Segments

Operating segments have been identified based on internal reports that are regularly reviewed by the Company's Chief Executive Officer to allocate resources and assess performance of segments and for which discrete financial information is available. The Company's operating segments include Canada, United States, Europe, Capital and Risk Solutions, and Lifeco Corporate. The Canada segment comprises the Individual Customer and Group Customer business units. Empower (financial services) and Putnam (asset management) are included in the United States segment. The Europe segment comprises United Kingdom, Ireland, and Germany. Reinsurance is reported in the Capital and Risk

Solutions segment. The Lifeco Corporate segment represents activities and transactions that are not directly attributable to the measurement of the operating segments of the Company.

(y) Future Accounting Policies

New Standard	Summary of Future Changes
IFRS 16 – <i>Leases</i>	<p>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.</p> <p>These amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. The Company does not anticipate a significant impact on its consolidated financial statements as a result of these amendments.</p>
IAS 7 – <i>Statement of Cash Flows</i> and IFRS 7 – <i>Financial Instruments: Disclosures</i>	<p>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.</p> <p>These amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. The Company does not anticipate a significant impact on its consolidated financial statements as a result of these amendments.</p>

3. Transition to IFRS 17 and IFRS 9 - Transition Impacts

IFRS 17

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

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

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

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

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

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

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

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

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

IFRS 9

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

Upon adoption of IFRS 9, the Company elected to present comparative information for its financial assets as if the classification and measurement requirements of IFRS 9 had been applied in the comparative period (IFRS 9 overlay), as permitted by the amendment to IFRS 17 published by the IASB in December 2021.

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

Notes to the Consolidated Financial Statements

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

Balance Sheet Condensed View	As Reported		Asset / Liability Reclassifications	IFRS 9		Income Tax	Restated IFRS 17 & 9 Balance Sheet Jan. 1, 2022
	IFRS 4 IAS 39 Dec. 31, 2021			IFRS 17 Measurement	IFRS 9 Overlay Measurement		
Assets							
Bonds	\$ 140,612	\$ —	\$ 2,043	\$ —	\$ —	\$ —	\$ 142,655
Mortgage loans	28,852	—	505	—	—	—	29,357
Stocks	14,183	16	26	—	—	—	14,225
Insurance contract assets	—	1,533	—	—	—	—	1,533
Other assets impacted by IFRS 17 & 9	67,677	(18,723)	—	697	269	—	49,920
Other assets not impacted by IFRS 17 & 9	21,745	—	—	—	—	—	21,745
Investments on account of segregated fund policyholders	357,419	—	—	—	—	—	357,419
Total assets	\$ 630,488	\$ (17,174)	\$ 2,574	\$ 697	\$ 269	\$ —	\$ 616,854
Liabilities							
Insurance contract liabilities	\$ 208,378	\$ (57,284)	\$ —	\$ 6,816	\$ —	\$ —	\$ 157,910
Investment contract liabilities	12,455	41,239	—	—	—	—	53,694
Reinsurance contract held liabilities	—	1,290	—	—	—	—	1,290
Other liabilities impacted by IFRS 17 & 9	11,726	(1,874)	—	—	(413)	—	9,439
Other liabilities not impacted by IFRS 17 & 9	10,027	—	—	—	—	—	10,027
Investments and insurance contracts on account of segregated fund policyholders	357,419	(357,419)	—	—	—	—	—
Insurance contracts on account of segregated fund policyholders	—	65,253	—	—	—	—	65,253
Investment contracts on account of segregated fund policyholders	—	292,166	—	—	—	—	292,166
Total liabilities	600,005	(16,629)	—	6,816	(413)	—	589,779
Total equity	30,483	(545)	2,574	(6,119)	682	—	27,075
Total liabilities and equity	\$ 630,488	\$ (17,174)	\$ 2,574	\$ 697	\$ 269	\$ —	\$ 616,854

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

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

IFRS 9 adjustments primarily resulted in an increase to total assets of \$2.6 billion due to a change in designation of certain bonds and mortgages held at amortized cost under IAS 39 to FVTPL under IFRS 9.

IFRS 17 adjustments mainly resulted in an increase to insurance contract liabilities of \$6.8 billion, which is primarily the result of the establishment of CSM for in-force contracts of \$5.9 billion associated with the shareholders' account and \$2.6 billion associated with the participating account, partially offset by the transition of risk adjustments from IFRS 4 to IFRS 17 of \$2.0 billion. This does not include the CSM on in-force segregated fund business which does not have a material impact on capital.

Total equity decreased by \$3.4 billion, split \$3.1 billion for the shareholders' account accumulated surplus, \$0.2 billion for the participating account surplus, and \$0.1 billion for accumulated other comprehensive income.

Shareholders' account accumulated surplus decreased by \$3.1 billion primarily due to the establishment of the CSM of \$6.3 billion and the adjustment for differences in the discount rate of \$1.9 billion, offset by increases due to the transition of risk adjustments from IFRS 4 to IFRS 17 of \$2.0 billion and the impact of the initial application of the IFRS 9 overlay of \$2.2 billion. All other impacts, including taxes, adjustments for non-attributable expenses and from reclassifications totaled an increase of \$0.9 billion.

The participating account surplus decrease of \$0.2 billion was due to the impact of the initial application of IFRS 17 of \$0.7 billion offset by the impact of the application of the IFRS 9 overlay of \$0.5 billion.

Accumulated other comprehensive income decreased by \$0.1 billion due to the impact of the application of the IFRS 9 overlay.

Reconciliation of Consolidated Net Earnings from IFRS 4 and IAS 39 to IFRS 17 and IFRS 9 Overlay

	For the year ended December 31, 2022
Net earnings under IFRS 4 and IAS 39, previously reported	\$ 3,219
Impact of initial application of IFRS 17 and IFRS 9 overlay:	
Deferral of new business gains within CSM	(170)
CSM recognized in the period, net of impact of changes in liabilities for insurance related risks	157
Changes in impacts from assumption changes and management actions	(131)
Changes in market-related impacts	653
Other, including changes in insurance experience impacts	152
Tax impacts	(284)
Restated net earnings under IFRS 17 and IFRS 9 overlay	\$ 3,596

CSM Movement by Measurement Component Upon Transition**Insurance contracts****Insurance contracts under fair value approach**

CSM beginning balance, as at January 1, 2022	\$ 10,197
Change related to current service provided	
CSM recognized for services provided	(947)
Changes that relate to future service	
Changes in estimates that adjust the CSM	917
Total changes in insurance service result	(30)
Net finance expenses from insurance contracts	64
Effect of movement in exchange rates	54
Impact of acquisitions/dispositions	294
Total change	382

Other insurance contracts

CSM beginning balance, as at January 1, 2022	2,859
Change related to current service provided	
CSM recognized for services provided	(222)
Changes that relate to future service	
Contracts initially recognized in the year	766
Changes in estimates that adjust the CSM	152
Total changes in insurance service result	696
Net finance expenses from insurance contracts	52
Effect of movement in exchange rates	(52)
Total change	696

Net closing balance, as at December 31, 2022

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

Notes to the Consolidated Financial Statements

Reinsurance contracts held

Reinsurance contracts held under fair value approach

CSM beginning balance, as at January 1, 2022	\$ 938
Change related to current service provided	
CSM recognized for services provided	(82)
Changes that relate to future service	
Contracts initially recognized in the year	3
Changes in estimates that adjust the CSM	11
Total changes in insurance service result	(68)
Net finance expenses from reinsurance contracts	21
Total change	(47)

Other reinsurance contracts held

CSM beginning balance, as at January 1, 2022	137
Change related to current service provided	
CSM recognized for services provided	(13)
Changes that relate to future service	
Contracts initially recognized in the year	50
Changes in estimates that adjust the CSM	(53)
Total changes in insurance service result	(16)
Net finance expenses from insurance contracts	(1)
Total change	(17)
Net closing balance, as at December 31, 2022	\$ 1,011

Transition to IFRS 9**Effect of Initial Application - IFRS 9 Assets**

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

	Classification	
	IAS 39	IFRS 9
Financial Assets		
Bonds		
	FVTPL (designated)	FVTPL (designated)
	FVTPL (designated)	FVOCI
	FVTPL (classified)	FVTPL (mandatory)
	Available-for-Sale (AFS)	FVTPL (mandatory)
	AFS	FVOCI
	Loans & Receivables (L&R)	FVTPL (designated)
	L&R	FVOCI
Mortgage loans		
	FVTPL (designated)	FVTPL (mandatory)
	AFS	FVTPL (mandatory)
	L&R	FVTPL (designated)
	L&R	FVOCI
	L&R	Amortized Cost
Stocks		
	FVTPL (designated)	FVTPL (mandatory)
	AFS	FVTPL (mandatory)
	AFS, at cost	FVTPL (mandatory)

Reconciliation of Carrying Value of Assets from IAS 39 to IFRS 9

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

	IAS 39		IFRS 9	
	December 31, 2022	Reclassification	Remeasurement	January 1, 2023
FVTPL				
Bonds				
Designated	\$ 113,596	\$ (544)	\$ —	\$ 113,052
Reclassified from L&R	—	33,570	(3,480)	30,090
Total - designated	113,596	33,026	(3,480)	143,142
Mandatory	181	—	—	181
Reclassified from AFS	—	67	—	67
Total - mandatory	181	67	—	248
Mortgage loans				
Designated	3,125	(3,125)	—	—
Reclassified from L&R	—	31,310	(2,297)	29,013
Total - designated	3,125	28,185	(2,297)	29,013
Reclassified from designated FVTPL	—	3,125	6	3,131
Reclassified from AFS	—	240	—	240
Total - mandatory	—	3,365	6	3,371
Stocks				
Reclassified from designated FVTPL	13,305	—	16	13,321
Reclassified from AFS	—	325	17	342
Total - mandatory	13,305	325	33	13,663
Total FVTPL	\$ 130,207	\$ 64,968	\$ (5,738)	\$ 189,437
FVOCI				
Bonds				
Reclassified from AFS	\$ —	\$ 11,797	\$ —	\$ 11,797
Reclassified from designated FVTPL	—	544	—	544
Reclassified from L&R	—	376	(16)	360
	—	12,717	(16)	12,701
Mortgage loans				
Reclassified from L&R	—	662	(41)	621
Total FVOCI	\$ —	\$ 13,379	\$ (57)	\$ 13,322

Notes to the Consolidated Financial Statements

	IAS 39 December 31, 2022	Reclassification	Remeasurement	IFRS 9 January 1, 2023
AFS				
Bonds				
Brought forward	\$ 11,864	\$ —	\$ —	
Reclassified to FVTPL	—	(67)	—	
Reclassified to FVOCI	—	(11,797)	—	
	11,864	(11,864)	—	—
Mortgage loans				
Brought forward	240	—	—	
Reclassified to FVTPL	—	(240)	—	
	240	(240)	—	—
Stocks				
Brought forward	325	—	—	
Reclassified to FVTPL	—	(325)	—	
	325	(325)	—	—
Total AFS	\$ 12,429	\$ (12,429)	\$ —	\$ —
Amortized Cost				
Bonds				
Brought forward: L&R	\$ 33,946	\$ —	\$ —	
Reclassified to FVTPL	—	(33,570)	—	
Reclassified to FVOCI	—	(376)	—	
	33,946	(33,946)	—	—
Mortgage Loans				
Brought forward: L&R	36,164	—	—	
Reclassified to FVTPL	—	(31,310)	—	
Reclassified to FVOCI	—	(662)	—	
	36,164	(31,972)	—	4,192
Total amortized cost	\$ 70,110	\$ (65,918)	\$ —	\$ 4,192

Allowance for Credit Losses

The majority of the Company's financial assets are measured at FVTPL and therefore are not subject to the ECL model. The ECL model only applies to FVOCI and amortized cost assets, and the value of ECL allowances upon adoption of IFRS 9 at January 1, 2023 of \$36 are not materially different from the allowances that were carried under IAS 39. Of the ECL allowance of \$36 at January 1, 2023, \$4 was Stage 1 and \$32 was Stage 2.

The ECL allowance was \$37 at December 31, 2023, of which \$4 was Stage 1, \$29 was Stage 2 and \$4 was Stage 3.

4. Business Acquisitions and Other Transactions

(a) Sale of Putnam US Holdings I, LLC (Putnam Investments)

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

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

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

Net Earnings (Loss) From Discontinued Operations

	For the years ended December 31	
	2023	2022
Net investment result	\$ 44	\$ (27)
Other income and expenses		
Fee and other income	1,008	1,008
Operating and administrative expenses	(1,050)	(982)
Acquisition and divestiture costs	(130)	—
Amortization of finite life intangible assets	(26)	(24)
Earnings (loss) before income taxes	(154)	(25)
Income tax expense (benefit)	(30)	7
Net earnings (loss) from discontinued operations	\$ (124)	\$ (32)
Exchange differences on translation of discontinued operations	(42)	68
Other comprehensive income (loss) from discontinued operations	\$ (42)	\$ 68

Cash Flows From Discontinued Operations

	For the years ended December 31	
	2023	2022
Net cash provided by (used in) operating activities	\$ 137	\$ (44)
Net cash provided by (used in) financing activities	(6)	4
Effect of changes in exchange rates on cash and cash equivalents	(5)	23
Net increase (decrease) in cash and cash equivalents	\$ 126	\$ (17)

Assets and Liabilities Held for Sale

	December 31 2023
Assets	
Cash	\$ 375
Stocks	46
Intangible assets	1,594
Fixed assets	56
Other assets	2,396
Total assets classified as held for sale	\$ 4,467
Liabilities	
Other liabilities	\$ 2,407
Total liabilities classified as held for sale	\$ 2,407

Subsequent Event

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

Details of the Sale of the Discontinued Operations (Putnam Investments)

	<u>2024</u>
Consideration received or receivable	
Fair value of Franklin Templeton Common Shares (U.S. \$29.79)	\$ 1,321
Net cash and other deferred and contingent consideration	573
Non-controlling interest in sale of Putnam Investments	(123)
Total estimated net proceeds on disposal of Putnam Investments	<u>\$ 1,771</u>
Net carrying value of net assets sold	
Carrying value	\$ 2,060
Estimated final transaction closing costs	(109)
Reclassification of translation on foreign operations	(211)
Net carrying value of discontinued operations	<u>\$ 1,740</u>
Net estimated gain on sale	<u>\$ 31</u>
Income tax recovery	30
Estimated net gain on sale after income tax	<u><u>\$ 61</u></u>

(b) Acquisition of Investment Planning Counsel

On November 30, 2023, Canada Life completed the acquisition of 100% of the equity of Investment Planning Counsel Inc. (IPC), an independent wealth management firm, from IGM Financial Inc. (IGM) for total purchase consideration of \$585. The acquisition extends Canada Life's wealth management reach and capabilities. IGM is an affiliated company and a member of the Power Corporation group of companies. Therefore, the transaction was reviewed and approved by the Conduct Review Committee of each of the Company and Canada Life.

The initial amounts assigned to the assets acquired, goodwill, and liabilities assumed on November 30, 2023, reported as at December 31, 2023 are as follows:

Assets acquired and goodwill

Cash	\$ 31
Fixed assets	6
Accounts receivable	33
Other assets	273
Current income taxes	1
Goodwill	583
Total assets acquired and goodwill	<u><u>\$ 927</u></u>

Liabilities assumed

Accounts payable	\$ 55
Other liabilities	274
Current income taxes	1
Deferred tax liabilities	12
Total liabilities assumed	<u><u>\$ 342</u></u>

Accounting for the acquisition is not finalized, pending the completion of a comprehensive valuation of the net assets acquired. The financial statements as at December 31, 2023 reflect management's current best estimate of the purchase price allocation. As at December 31, 2023, provisional amounts for intangible assets have not been separately identified and valued within the assets of the purchase price allocation, pending completion of the valuation exercise. Final valuation of the assets acquired and liabilities assumed and the completion of the purchase price allocation will occur by the fourth quarter of 2024.

As a result, the excess of the purchase price over the fair value of net assets acquired, representing goodwill of \$583 as at December 31, 2023, will be adjusted in future periods.

The goodwill represents the excess of the purchase price over the fair value of the net assets, representing the synergies or future economic benefits arising from other assets acquired that are not individually identified and separately recognized in the acquisition. These synergies represent meaningful expense and revenue opportunities which are expected to be accretive to earnings. The goodwill is not deductible for tax purposes.

Notes to the Consolidated Financial Statements

During the year ended December 31, 2023, the Company incurred acquisition expenses of \$4, which are recorded in the Consolidated Statements of Earnings.

Revenue and net earnings of IPC were not significant to the 2023 results of the Company.

(c) Acquisition of Value Partners

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

(d) U.S. Individual Life and Annuity Business Reinsurance Agreement

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

(e) Strategic Relationship with Sagard Holdings

On July 6, 2023, Sagard Holdings Inc. (Sagard), a related party, announced that the relationship between the Company and Sagard had expanded, both in terms of the Company's minority interest in Sagard and commitments into certain Sagard strategies. The increase in the minority interest in Sagard is immaterial to the Company and the commitment to certain Sagard strategies has increased to approximately U.S. \$700.

(f) Europe Business Initiatives

In 2023, the European segment of the Company undertook a number of initiatives to position itself for the future which included restructuring activities, the launch of a joint venture, and a reinsurance recapture. The net impact of these activities was a post-tax net gain of \$31 recognized in net earnings.

Europe Restructuring

In 2023, the Company recorded a restructuring provision of \$126 within restructuring and integration expenses in the Consolidated Statements of Earnings related to provisions for staff reductions as well as other business transformation initiatives.

The provision for staff reductions and other business transformation initiatives arose from the following business decisions and activities:

- The Company announced its decision to close the Company's U.K. on-shore wealth business to new customers,
- The implementation of the new strategy in Germany to create growth through product diversification and an efficiency program leveraging its new policy administration platform, increased automation and AI technologies, and
- The continued implementation of Irish Life's strategy, including the build out of digital customer technologies and automation.

At December 31, 2023, the Company has a restructuring provision of \$106 remaining in other liabilities.

Transfer of Segregated Funds to Joint Venture

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

5. Cash and Cash Equivalents

Cash and cash equivalents include amounts held at the Lifeco holding company level and amounts held in Lifeco's consolidated subsidiary companies.

	2023	2022
Cash	\$ 3,029	\$ 4,013
Short-term deposits	4,713	3,277
Total	\$ 7,742	\$ 7,290

At December 31, 2023 cash and short-term deposits of \$689 were restricted for use by the Company (\$879 at December 31, 2022) in respect of cash held in trust for reinsurance agreements or with regulatory authorities, cash held under certain indemnity arrangements, client monies held by brokers and cash held in escrow.

6. Portfolio Investments

(a) Carrying Values and Estimated Fair Values of Portfolio Investments are as Follows:

	2023		2022 ¹	
	Carrying value	Fair value	Carrying value	Fair value
Bonds				
FVTPL - designated	\$ 143,506	\$ 143,506	\$ 143,142	\$ 143,142
FVTPL - mandatory	1,795	1,795	248	248
FVOCI	11,750	11,750	12,701	12,701
	157,051	157,051	156,091	156,091
Mortgage loans				
FVTPL - designated	29,211	29,211	29,013	29,013
FVTPL - mandatory	4,203	4,203	3,371	3,371
FVOCI	578	578	621	621
Amortized cost	4,422	3,923	4,192	3,577
	38,414	37,915	37,197	36,582
Stocks				
FVTPL - mandatory	14,890	14,890	13,663	13,663
Equity method	843	777	638	610
	15,733	15,667	14,301	14,273
Investment properties	7,870	7,870	8,344	8,344
Total	\$ 219,068	\$ 218,503	\$ 215,933	\$ 215,290

¹ Represents application of IFRS 9 overlay.

(b) Carrying Value of Bonds and Mortgages by Term to Maturity are as Follows:

	2023				2022 ¹			
	Term to maturity				Term to maturity			
	1 year or less	Over 1 year to 5 years	Over 5 years	Total	1 year or less	Over 1 year to 5 years	Over 5 years	Total
Bonds	\$ 14,282	\$ 47,685	\$ 95,084	\$ 157,051	\$ 13,556	\$ 42,336	\$ 100,199	\$ 156,091
Mortgage loans ²	3,753	19,554	15,107	38,414	2,672	18,069	16,456	37,197
Total	\$ 18,035	\$ 67,239	\$ 110,191	\$ 195,465	\$ 16,228	\$ 60,405	\$ 116,655	\$ 193,288

¹ Represents application of IFRS 9 overlay.

² Mortgage loans include equity release mortgages which do not have a fixed redemption date. The maturity profile of the portfolio has been estimated based on previous redemption experience.

(c) Certain Stocks Where Equity Method Earnings are Computed are Discussed Below:

A significant amount of the Company's equity method investments relate to the Company's investment, held through Canada Life, in an affiliated company, IGM, a member of the Power Corporation group of companies, over which it exerts significant influence but does not control. The Company's proportionate share of IGM's earnings is recorded in net investment income in the Consolidated Statements of Earnings. The Company owns 9,200,448 shares of IGM at December 31, 2023 (9,200,448 at December 31, 2022) representing a 3.86% ownership interest (3.87% at December 31, 2022). The Company uses the equity method to account for its investment in IGM as it exercises significant influence. Significant influence arises from several factors, including, but not limited to the following: common control of the Company and IGM by Power Corporation, shared representation on the Boards of Directors of the Company and IGM, interchange of managerial personnel, certain shared strategic alliances, significant intercompany transactions and service agreements that influence the financial and operating policies of both companies.

	2023	2022
Carrying value, beginning of year	\$ 375	\$ 366
Equity method share of IGM net earnings	33	30
Dividends received	(21)	(21)
Carrying value, end of year	\$ 387	\$ 375
Share of equity, end of year	\$ 247	\$ 237
Fair value, end of year	\$ 321	\$ 347

Notes to the Consolidated Financial Statements

The Company and IGM both have a year-end date of December 31. The Company's year-end results are approved and reported before IGM publicly reports its financial result; therefore, the Company reports IGM's financial information by estimating the amount of earnings attributable to the Company, based on prior quarter information as well as other market expectations, to complete equity method accounting. The difference between actual and estimated results is reflected in the subsequent quarter and is not material to the Company's consolidated financial statements.

IGM's financial information as at December 31, 2023 can be obtained in its publicly available information.

At December 31, 2023, IGM owned 22,136,471 (37,337,133 at December 31, 2022) common shares of the Company.

(d) Net Investment Income Comprises the Following:

	2023					
	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Net investment income:						
Investment income earned	\$ 6,626	\$ 1,434	\$ 499	\$ 506	\$ 404	\$ 9,469
Net realized losses on derecognition of FVOCI assets	(248)	—	—	—	—	(248)
Gains on derecognition of amortized cost assets	—	9	—	—	—	9
Net ECL recovery (charge)	(1)	—	—	—	—	(1)
Other income and expenses	—	—	—	(196)	(169)	(365)
	6,377	1,443	499	310	235	8,864
Changes in fair value on FVTPL assets:						
FVTPL (designated)	5,050	478	—	—	347	5,875
FVTPL (mandatory)	53	272	796	—	—	1,121
Recorded at FVTPL	—	—	—	(507)	—	(507)
	5,103	750	796	(507)	347	6,489
Total	\$ 11,480	\$ 2,193	\$ 1,295	\$ (197)	\$ 582	\$ 15,353
	2022 ¹					
	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Net investment income:						
Investment income earned	\$ 5,617	\$ 1,217	\$ 404	\$ 459	\$ 399	\$ 8,096
Net realized losses on derecognition of FVOCI assets	(71)	—	—	—	—	(71)
Gains on derecognition of amortized cost assets	—	8	—	—	—	8
Net allowances for credit losses	—	(42)	—	—	—	(42)
Other income and expenses	—	—	—	(154)	(243)	(397)
	5,546	1,183	404	305	156	7,594
Changes in fair value on FVTPL assets:						
FVTPL (designated)	(26,925)	(2,729)	—	—	(33)	(29,687)
FVTPL (mandatory)	(8)	(621)	(643)	—	—	(1,272)
Recorded at FVTPL	—	—	—	(41)	—	(41)
	(26,933)	(3,350)	(643)	(41)	(33)	(31,000)
Total	\$ (21,387)	\$ (2,167)	\$ (239)	\$ 264	\$ 123	\$ (23,406)

¹ Represents application of IFRS 9 overlay.

Investment income from bonds and mortgages includes interest income, and premium and discount amortization. Investment income from stocks includes dividends, distributions from private equity and equity income from the investment in IGM. Investment properties income includes rental income earned on investment properties, ground rent income earned on leased and sub-leased land, fee recoveries, lease cancellation income, and interest and other investment income earned on investment properties. Other investment income includes foreign exchange gains and losses, income earned from derivative financial instruments and other miscellaneous income.

(e) Net Investment Result

	2023	2022
Investment return		
Net investment income	\$ 8,864	\$ 7,594
Changes in fair value on FVTPL assets	6,489	(31,000)
Total investment return	15,353	(23,406)
Net finance income (expenses) from insurance contracts		
Changes in fair value of underlying items of direct participating contracts	(3,941)	3,463
Effects of risk mitigation option	68	293
Interest accreted	(3,433)	(2,955)
Effect of changes in discount rate and other financial assumptions	(1,919)	17,851
Effect of measuring changes in estimates at current rates and adjusting the CSM at rates on initial recognition	(13)	157
Total net finance income (expenses) from insurance contracts	(9,238)	18,809
Net finance income (expenses) from reinsurance contracts		
Interest accreted	78	367
Other	146	(1,618)
Total net finance income (expenses) from reinsurance contracts	224	(1,251)
Changes in investment contract liabilities	(4,806)	8,454
	\$ 1,533	\$ 2,606

(f) Securities Lending

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

7. Risk Management

The Company has policies relating to the identification, measurement, management, monitoring and reporting of risks associated with financial instruments and insurance contracts. The key risks related to financial instruments are credit risk, liquidity risk and market risk (currency, interest rate and equity). The Risk Committee of the Board of Directors is responsible for the oversight of the Company's key risks.

The following sections describe how the Company manages each of these risks.

(a) Credit Risk

Credit risk is the risk of loss resulting from an obligor's potential inability or unwillingness to fully meet its contractual obligations.

The following policies and procedures are in place to manage this risk:

- Investment and risk policies aim to minimize undue concentration within issuers, connected companies, industries or individual geographies.
- Investment and risk limits specify minimum and maximum limits for each asset class.
- Identification of credit risk through an internal credit risk rating system which includes a detailed assessment of an obligor's creditworthiness. Internal credit risk ratings cannot be higher than the highest rating provided by certain independent ratings companies.
- Portfolios are monitored continuously, and reviewed regularly with the Risk Committee and the Investment Committee of the Board of Directors.
- Credit risk associated with derivative instruments is evaluated quarterly based on conditions that existed at the balance sheet date, using practices that are at least as conservative as those recommended by regulators. The Company manages derivative credit risk by including derivative exposure to aggregate credit exposures measured against rating based obligor limits and through collateral arrangements where possible.
- Counterparties providing reinsurance to the Company are reviewed for financial soundness as part of an ongoing monitoring process. The minimum financial strength of reinsurers is outlined in the Reinsurance Risk Management Policy. The Company seeks to minimize

Notes to the Consolidated Financial Statements

reinsurance credit risk by setting rating based limits on net ceded exposure by counterparty as well as seeking protection in the form of collateral or funds withheld arrangements where possible.

- Investment guidelines also specify collateral requirements.

(i) Maximum Exposure to Credit Risk

The following summarizes the Company's maximum exposure to credit risk related to financial instruments as well as insurance and reinsurance contracts. The maximum credit exposure is the carrying value of the asset net of any allowances for losses.

	2023	2022
Financial instruments		
Cash and cash equivalents	\$ 7,742	\$ 7,290
Bonds	157,051	156,091
Mortgage loans	38,414	37,197
Interest due and accrued	1,645	1,527
Accounts receivable	3,218	2,828
Funds held under investment contracts	7,268	8,130
Trading account assets	3,038	2,972
Finance leases receivable	668	536
Other assets ¹	2,055	2,760
Derivative assets	2,219	2,314
	<u>223,318</u>	<u>221,645</u>
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
	<u>31,396</u>	<u>31,815</u>
Total	<u>\$ 254,714</u>	<u>\$ 253,460</u>

¹ Includes items such as current income taxes receivable and miscellaneous other assets of the Company (note 11).

² Includes funds withheld on reinsurance contracts issued.

³ Included in insurance contract liabilities (note 14).

Credit risk is also mitigated by entering into collateral agreements. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and the valuation parameters. Collateral primarily consists of government bonds, investment grade corporate bonds and cash. Management monitors the value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable. The Company has \$1,715 of collateral received from counterparties as at December 31, 2023 (\$1,348 at December 31, 2022) relating to derivative assets.

(ii) Concentration of Credit Risk

Concentrations of credit risk arise from exposures to a single obligor, a group of related obligors or groups of obligors that have similar credit risk characteristics and operate in the same geographic region or in similar industries. The characteristics are similar in that changes in economic or political environments may impact their ability to meet obligations as they come due.

Notes to the Consolidated Financial Statements

The following provides details of the carrying value of bonds by issuer, industry sector and operating segment:

	2023				
	Canada	United States	Europe	Capital and Risk Solutions	Total
Bonds issued or guaranteed by:					
Treasuries	\$ 1,155	\$ 2,289	\$ 8,522	\$ 2,887	\$ 14,853
Government related	16,618	2,842	6,760	406	26,626
Agency securitized	178	1,057	—	14	1,249
Non-agency securitized	2,924	13,314	803	137	17,178
Financials	5,225	12,095	4,861	997	23,178
Communications	1,089	1,680	748	152	3,669
Consumer products	4,704	9,795	1,774	1,023	17,296
Energy	2,619	3,118	447	336	6,520
Industrials	2,560	7,623	1,156	442	11,781
Technology	1,044	3,307	479	297	5,127
Transportation	3,996	1,899	755	156	6,806
Utilities	10,632	7,599	3,786	751	22,768
Total	\$ 52,744	\$ 66,618	\$ 30,091	\$ 7,598	\$ 157,051

	2022 ¹				
	Canada	United States	Europe	Capital and Risk Solutions	Total
Bonds issued or guaranteed by:					
Treasuries	\$ 2,699	\$ 347	\$ 7,905	\$ 3,619	\$ 14,570
Government related	16,948	3,178	6,301	376	26,803
Agency securitized	179	1,270	—	15	1,464
Non-agency securitized	2,341	15,020	734	123	18,218
Financials	4,703	13,123	4,709	914	23,449
Communications	997	1,839	667	137	3,640
Consumer products	4,231	10,727	1,733	966	17,657
Energy	2,236	3,600	405	285	6,526
Industrials	2,084	8,464	1,105	398	12,051
Technology	831	3,359	393	298	4,881
Transportation	3,364	1,941	637	121	6,063
Utilities	9,129	8,038	3,125	477	20,769
Total	\$ 49,742	\$ 70,906	\$ 27,714	\$ 7,729	\$ 156,091

¹ Represents application of IFRS 9 overlay.

The following provides details of the carrying value of mortgage loans by operating segment:

	2023				
	Canada	United States	Europe	Capital and Risk Solutions	Total
Single family residential	\$ 1,511	\$ —	\$ —	\$ —	\$ 1,511
Multi-family residential	4,581	3,945	814	32	9,372
Equity release	1,697	—	2,043	463	4,203
Commercial	8,955	10,376	3,850	147	23,328
Total	\$ 16,744	\$ 14,321	\$ 6,707	\$ 642	\$ 38,414

Notes to the Consolidated Financial Statements

	2022 ¹				
	Canada	United States	Europe	Capital and Risk Solutions	Total
Single family residential	\$ 1,738	\$ —	\$ —	\$ —	1,738
Multi-family residential	4,422	4,276	891	39	9,628
Equity release	1,392	—	1,711	268	3,371
Commercial	8,446	10,484	3,480	50	22,460
Total	\$ 15,998	\$ 14,760	\$ 6,082	\$ 357	\$ 37,197

¹ Represents application of IFRS 9 overlay.

(iii) Expected Credit Losses

The following table reconciles the allowance for credit losses under the ECL model in IFRS 9 by asset classification and stage:

	2023				
	Performing		Impaired		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 re-measurement of loss allowance	1	—	—	—	1
Write-offs	—	—	—	—	—
Exchange rate and other	(1)	—	—	—	(1)
Balance, end of year	\$ 3	\$ —	\$ —	\$ —	3
Mortgages at amortized cost					
Balance, beginning of year	\$ 1	\$ 32	\$ —	\$ —	33
Provision for credit losses					
Transfers to stage 1	1	(1)	—	—	—
Transfers to stage 2	—	—	—	—	—
Transfers to stage 3	—	—	—	—	—
Originations	1	—	—	—	1
Maturities	—	—	—	—	—
Net re-measurement of loss allowance	(2)	(3)	4	—	(1)
Write-offs	—	—	—	—	—
Exchange rate and other	—	1	—	—	1
Balance, end of year	\$ 1	\$ 29	\$ 4	\$ —	34
Total allowance for credit losses, end of year	\$ 4	\$ 29	\$ 4	\$ —	37

Notes to the Consolidated Financial Statements

(iv) Credit Risk Exposure by Internal Risk Rating

The following table presents the fair value of bonds and mortgages at FVOCI and carrying amounts of mortgages at amortized cost. Risk ratings are based on internal ratings used in the measurement of ECLs as at the reporting date.

	December 31, 2023				
	Performing		Impaired		Total
	Stage 1	Stage 2	Stage 3	Stage 3	
Bonds at FVOCI					
Investment grade	\$ 11,668	\$ —	\$ —	\$ —	11,668
Non-investment grade	77	5	—	—	82
Impaired	—	—	—	—	—
Total	\$ 11,745	\$ 5	\$ —	\$ —	11,750
Mortgage loans at FVOCI					
Investment grade	\$ 560	\$ —	\$ —	\$ —	560
Non-investment grade	—	18	—	—	18
Impaired	—	—	—	—	—
Total	\$ 560	\$ 18	\$ —	\$ —	578
Mortgages at amortized cost					
Investment grade	\$ 4,088	\$ —	\$ —	\$ —	4,088
Non-investment grade	—	357	—	—	357
Impaired	—	—	11	—	11
	4,088	357	11	—	4,456
Allowance for credit losses	(1)	(29)	(4)	—	(34)
Total	\$ 4,087	\$ 328	\$ 7	\$ —	4,422
January 1, 2023					
	Performing		Impaired		Total
	Stage 1	Stage 2	Stage 3	Stage 3	
Bonds at FVOCI					
Investment grade	\$ 12,610	\$ —	\$ —	\$ —	12,610
Non-investment grade	88	3	—	—	91
Impaired	—	—	—	—	—
Total	\$ 12,698	\$ 3	\$ —	\$ —	12,701
Mortgage loans at FVOCI					
Investment grade	\$ 621	\$ —	\$ —	\$ —	621
Non-investment grade	—	—	—	—	—
Impaired	—	—	—	—	—
Total	\$ 621	\$ —	\$ —	\$ —	621
Mortgages at amortized cost					
Investment grade	\$ 3,819	\$ —	\$ —	\$ —	3,819
Non-investment grade	—	373	—	—	373
Impaired	—	—	—	—	—
	3,819	373	—	—	4,192
Allowance for credit losses	(1)	(32)	—	—	(33)
Total	\$ 3,818	\$ 341	\$ —	\$ —	4,159

(v) Credit Impact on Financial Assets Designated as FVTPL

The carrying value of the Company's portfolio investments designated as FVTPL represents the maximum exposure to credit risk for those assets. The change in fair value attributable to the change in credit risk of these assets is generally insignificant in the absence of significant credit events occurring on specific assets. In 2023, a fair value loss of \$80 (\$8 in 2022) is reflected in changes in fair value on fair value through profit or loss assets in the Consolidated Statements of Earnings related to significant credit events occurring on assets designated as FVTPL.

(vi) Asset Quality***Bond Portfolio by Credit Rating***

	2023	2022 ¹
Based on internal ratings:		
AAA	\$ 24,298	\$ 25,397
AA	31,435	31,614
A	54,807	53,864
BBB	44,811	43,482
BB and lower	1,700	1,734
Total	\$ 157,051	\$ 156,091

¹ Represents application of IFRS 9 overlay.

Derivative Portfolio by Credit Rating

	2023	2022
Over-the-counter contracts (counterparty ratings):		
AA	\$ 1,448	\$ 1,604
A	770	697
BBB	—	—
Exchange-traded	1	13
Total	\$ 2,219	\$ 2,314

Reinsurance Contract Held Assets by Credit Rating

	2023	2022
Based on Rating Agency ratings:		
AA- to AA+	\$ 15,955	\$ 16,162
A- to A+	1,365	1,386
BBB+ and lower	9	10
Not rated	3	13
Total reinsurance contract held assets	\$ 17,332	\$ 17,571
Total reinsurance contract held assets less collateral	\$ 4,296	\$ 4,261

Total reinsurance contract held assets are net of funds held under reinsurance contracts.

As at December 31, 2023, \$12,122 of the \$17,332 of reinsurance contract held assets are ceded to Protective Life Insurance Company (\$12,493 of \$17,571 at December 31, 2022). This concentration risk is mitigated by funds held in trust and other arrangements of \$13,710 as at December 31, 2023 (\$13,685 at December 31, 2022).

(vii) Funds Held Under Investment Contracts and Funds Held by Ceding Insurers

At December 31, 2023, the Company had amounts on deposit of \$7,268 (\$8,130 at December 31, 2022) for funds held under investment contracts. This amount has been included in other assets on the Consolidated Balance Sheets. At December 31, 2023 the Company had amounts on deposit of \$3,926 (\$4,105 at December 31, 2022) for funds held by ceding insurers. This amount has been included in the measurement of insurance contract liabilities. Included in these amounts are assets of \$37 at December 31, 2023 (\$45 at December 31, 2022) where the Company does not retain the credit risk. Income and expenses arising from the agreements are included in net investment result in the Consolidated Statements of Earnings.

Notes to the Consolidated Financial Statements

The details of the funds on deposit for certain agreements where the Company has credit risk are as follows:

(i) Carrying Values and Estimated Fair Values:

	2023		2022	
	Carrying value	Fair value	Carrying value	Fair value
Cash and cash equivalents	\$ 189	\$ 189	\$ 222	\$ 222
Bonds	10,415	10,415	11,172	11,172
Mortgages	418	418	457	457
Other assets	135	135	339	339
Total	\$ 11,157	\$ 11,157	\$ 12,190	\$ 12,190
Supporting:				
Insurance contract liabilities	\$ 3,834	\$ 3,834	\$ 4,004	\$ 4,004
Investment contract liabilities	7,268	7,268	8,130	8,130
Surplus	55	55	56	56
Total	\$ 11,157	\$ 11,157	\$ 12,190	\$ 12,190

(ii) The Following Provides Details of the Carrying Value of Bonds Included in the Funds on Deposit by Issuer and Industry Sector:

	2023	2022
Bonds issued or guaranteed by:		
Treasuries	\$ 487	\$ 464
Government related	1,139	1,241
Agency securitized	103	139
Non-agency securitized	1,135	1,350
Financials	1,731	2,020
Communications	332	327
Consumer products	1,609	1,728
Energy	534	517
Industrials	1,011	1,029
Technology	385	386
Transportation	301	319
Utilities	1,648	1,652
Total	\$ 10,415	\$ 11,172

(iii) The Following Provides Details of the Carrying Value of Mortgages Included in the Funds on Deposit by Property Type:

	2023	2022
Multi-family residential	\$ 107	\$ 110
Commercial	311	347
Total	\$ 418	\$ 457

(iv) Asset Quality:

Bond Portfolio by Credit Rating

	2023	2022
AAA	\$ 951	\$ 1,037
AA	2,536	2,607
A	3,973	4,289
BBB	2,856	3,124
BB and lower	99	115
Total	\$ 10,415	\$ 11,172

(b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet all cash outflow obligations as they come due. The Company's liquidity risk management framework and associated limits are designed to allow the Company to meet cash and collateral commitments as they fall due, both on an expected basis and under a severe liquidity stress.

- The Company attempts to mitigate liquidity risk through product design; and maintaining a high quality, diversified investment portfolio with a spread of asset maturities by year. Approximately 68% of our insurance and investment contract liabilities (measured based on carrying value and excluding liabilities held on account of segregated fund holders) are subject to discretionary withdrawal.
- Management closely monitors the solvency and capital positions of its principal subsidiaries opposite liquidity requirements at the holding company. Additional liquidity is available through established lines of credit or via capital market transactions. At December 31, 2023, the Company maintains \$950 of liquidity at the Lifeco level through committed lines of credit with Canadian chartered banks. As well, the Company maintains a U.S. \$500 revolving credit agreement, a U.S. \$300 revolving credit agreement with a syndicate of banks for use by Empower, and a U.S. \$50 line of credit at Empower. Empower also has borrowing capacity of approximately U.S. \$440 under the Federal Home Loan Bank program.

(i) Payments Due by Period

In the normal course of business the Company enters into contracts that give rise to commitments of future minimum payments that impact short-term and long-term liquidity. The following summarizes the principal repayment schedule for certain of the Company's financial liabilities.

	2023						Total
	1 year or less	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	
Debentures and other debt instruments	\$ —	\$ 665	\$ 730	\$ 532	\$ 999	\$ 5,833	\$ 8,759
Capital trust securities ¹	—	—	—	—	—	150	150
Purchase obligations	305	227	176	121	54	251	1,134
Pension contributions	225	—	—	—	—	—	225
Total	\$ 530	\$ 892	\$ 906	\$ 653	\$ 1,053	\$ 6,234	\$ 10,268

¹ Payments due have not been reduced to reflect that the Company held capital trust securities of \$37 principal amount (\$44 carrying value).

(c) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument and the value of insurance and investment contract liabilities will fluctuate as a result of changes in market factors which include three types: currency risk, interest rate (including related inflation) risk and equity risk.

Caution Related to Risk Sensitivities

These consolidated financial statements include estimates of sensitivities and risk exposure measures for certain risks, such as the sensitivity due to specific changes in interest rate levels projected and market prices as at the valuation date. Actual results can differ significantly from these estimates for a variety of reasons including, but not limited to, changes in the Company's asset or liability profile, changes in business mix, effective income tax rates, other market factors, differences in the actual exposure relative to broad market indices, variation in exposures by geography, and general limitations of the Company's internal models.

For these reasons, the sensitivities should only be viewed as directional estimates of the underlying sensitivities for the respective factors. Given the nature of these calculations, the Company cannot provide assurance that the actual impact on shareholders' net earnings will be as indicated.

(i) Currency Risk

Currency risk relates to the Company operating and holding financial instruments in different currencies. For the assets backing insurance and investment contract liabilities that are not matched by currency, changes in foreign exchange rates can expose the Company to the risk of foreign exchange losses not offset by liability decreases.

- A 10% weakening of the Canadian dollar against foreign currencies would be expected to increase non-participating insurance and investment contract liabilities and their supporting assets by approximately the same amount resulting in an immaterial immediate change to net earnings. A 10% strengthening of the Canadian dollar against foreign currencies would be expected to decrease non-participating insurance and investment contract liabilities and their supporting assets by approximately the same amount resulting in an immaterial immediate change in shareholders' net earnings.

The Company has net investments in foreign operations. The Company's debt obligations are denominated in Canadian dollars, euros, and U.S. dollars. In accordance with IFRS, foreign currency translation gains and losses from net investments in foreign operations, net of related hedging activities and tax effects, are recorded in accumulated other comprehensive income. Strengthening or weakening of the Canadian dollar spot rate compared to the U.S. dollar, British pound and euro spot rates impacts the Company's total equity. Correspondingly, the Company's book value per share and capital ratios monitored by rating agencies are also impacted.

(ii) Interest Rate Risk

Interest rate risk exists if asset and liability cash flows are not closely matched and interest rates change, causing a difference in the value of assets and the value of liabilities. The following policies and procedures are in place to mitigate the Company's exposure to interest rate risk:

- Interest rate risk is managed by investing in assets that are suitable for the products sold.
- The Company utilizes a formal process for managing the matching of assets and liabilities. This involves grouping general fund assets and liabilities into segments. Assets in each segment are managed in relation to the liabilities in the segment.
- For products with fixed and highly predictable benefit payments, investments are generally made in fixed income assets or investment properties whose cash flows closely match the liability product cash flows. Where assets are not available to match certain period cash flows, such as long-tail cash flows, a portion of these are invested in equities and other non-fixed income assets, while the rest are duration matched.
- Hedging instruments are employed when there is a lack of suitable permanent investments or to manage the level of loss exposure to interest rate changes.
- To the extent asset and liability cash flows are matched, protection against interest rate change is achieved and any change in the fair value of the assets will be offset by a similar change in the fair value of the liabilities.
- For products with less predictable timing of benefit payments, investments are made in fixed income assets with cash flows of a shorter duration than the anticipated timing of benefit payments, or equities and other non-fixed income assets.
- The risk associated with the mismatch in portfolio duration and cash flow, asset prepayment exposure and the pace of asset acquisition are quantified and reviewed regularly.

The impact to shareholders' net earnings from changes in the interest rates would be largely offset by changes in the value of financial assets supporting the liabilities. However, differences in the interest rate sensitivity in the value of assets and the value of insurance and investment contract liabilities leads to a sensitivity to interest rate movements in shareholders' net earnings under IFRS 17 and IFRS 9.

The Company's asset liability management strategy uses equities and other non-fixed income assets as a component of general fund assets supporting liabilities, which leads to interest rate exposure in the net earnings. Further, the classification of financial assets under IFRS 9, such as mortgage assets which are carried at amortized cost and held in the general fund assets supporting liabilities, also contributes to interest rate exposure in shareholders' net earnings.

The impact to shareholders' net earnings and equity from an immediate parallel 50 basis point increase or decrease in interest rates is illustrated in the table below, rounded to the nearest \$25:

Change in Market Yield Curves

	2023		2022	
	Increase 50 basis points interest rates	Decrease 50 basis points interest rates	Increase 50 basis points interest rates	Decrease 50 basis points interest rates
Shareholders' net earnings	\$ 175	\$ (225)	\$ 75	\$ (125)
Shareholders' equity	150	(225)	50	(100)

Actual impacts of interest rate changes will vary depending upon the geography where the changes occur. Net earnings are positively impacted by a parallel increase in interest rates in Canada, U.S. and the U.K., and are positively impacted by a parallel decrease in interest rates in the eurozone. Actual impacts of interest rate changes also vary by the level of change in interest rates by term. Therefore, actual impacts from interest rate changes may differ from the estimated impact of parallel movements in all geographies, which is presented above.

The potential impact on shareholders' net earnings of the Company does not take into account any future potential changes to the Company's ultimate investment rate (UIR) assumptions. As at both December 31, 2023 and December 31, 2022, the sensitivity of shareholders' net earnings of the Company to a 10 basis point increase or decrease in the UIR in all geographies would be an increase of \$25 or a decrease of \$25 post-tax, respectively.

Notes to the Consolidated Financial Statements

The impact to shareholders' net earnings and equity from an immediate 50 basis point increase or decrease in credit spreads is illustrated in the table below, with no change to the ultimate illiquidity premium. Actual impacts of credit spread changes will vary depending on the geographies where the changes occur, and the changes in credit spreads by term. A change in credit spreads may also lead to a change in the allowance for credit risk within the IFRS 17 discount rate, depending on prevailing market and credit conditions at the time; any potential earnings impacts that may arise from such a change are not reflected in the sensitivities below.

Change in Credit Spreads

	2023 ¹	
	Increase 50 basis points credit spreads	Decrease 50 basis points credit spreads
Shareholders' net earnings	\$ 300	\$ (375)
Shareholders' equity	350	(450)

¹ Exposures to credit spread sensitivities as at December 31, 2022 are expected to be substantially similar to the levels as shown for December 31, 2023.

(iii) Equity Risk

Equity risk is the uncertainty associated with the valuation of assets and liabilities arising from changes in equity markets and other pricing risk. To mitigate this risk, the Company has investment policy guidelines in place that provide for prudent investment in equity markets within clearly defined limits. The risks associated with segregated fund guarantees on lifetime Guaranteed Minimum Withdrawal Benefits have been mitigated through a hedging program using equity futures, currency forwards, and interest rate derivatives.

Some insurance and investment contract liabilities with long-tail cash flows are supported by publicly traded common stocks and investments in other non-fixed income assets, primarily comprised of investment properties, real estate funds, private stocks, and equity release mortgages. Shareholders' net earnings will reflect changes in the values of non-fixed income assets. However, in most cases the value of the liabilities will not fluctuate with changes in the value of the non-fixed income assets.

The liabilities for segregated fund products with guarantees will fluctuate with changes in the value of the non-fixed income assets. Under current market conditions, there are no earnings impacts to the Company on segregated fund business that it does not hedge, as changes in the cost of guarantees are fully offset within the CSM. For segregated fund business that the Company hedges, there is a limited earnings impact with respect to the change in liability versus the change in hedge assets.

The following table provides information on the expected impacts of an immediate 10% or 20% increase or decrease in the value of publicly traded common stocks on the shareholders' net earnings and equity, rounded to the nearest \$25:

Change in Publicly Traded Common Stock Values

	2023 ¹				2022			
	20% increase	10% increase	10% decrease	20% decrease	20% increase	10% increase	10% decrease	20% decrease
Shareholders' net earnings	\$ 225	\$ 100	\$ (100)	\$ (225)	\$ 200	\$ 100	\$ (125)	\$ (225)
Shareholders' equity	525	250	(250)	(525)	475	225	(250)	(500)

¹ Subsequent to year end, on January 1, 2024, the Company completed the sale of Putnam Investments and received shares in Franklin Templeton as part of the consideration (note 4). The net impact to shareholders' net earnings and equity of this transaction to the values in the table above would be to increase sensitivities by \$75 for a 10% increase or decrease in the value of publicly traded stocks and increase sensitivities by \$150 for a 20% increase or decrease in the value of publicly traded stocks.

The following table provides information on the expected impacts of an immediate 5% or 10% increase or decrease in the value of other non-fixed income assets on the shareholders' net earnings and equity, rounded to the nearest \$25:

Change in Other Non-Fixed Income Asset Values

	2023				2022			
	10% increase	5% increase	5% decrease	10% decrease	10% increase	5% increase	5% decrease	10% decrease
Shareholders' net earnings	\$ 400	\$ 200	\$ (200)	\$ (425)	\$ 400	\$ 200	\$ (200)	\$ (425)
Shareholders' equity	450	225	(225)	(450)	425	225	(225)	(450)

(d) Enforceable Master Netting Arrangements or Similar Agreements

The Company enters into International Swaps and Derivative Association's (ISDA's) master agreements for transacting over-the-counter derivatives. The Company receives and pledges collateral according to the related ISDA's Credit Support Annexes. The ISDA's master agreements do not meet the criteria for offsetting on the Consolidated Balance Sheets because they create a right of set-off that is enforceable only in the event of default, insolvency, or bankruptcy.

For exchange-traded derivatives subject to derivative clearing agreements with the exchanges and clearinghouses, there is no provision for set-off at default. Initial margin is excluded from the table within this disclosure as it would become part of a pooled settlement process.

The table sets out the potential effect on the Company's Consolidated Balance Sheets on financial instruments that have been shown in a gross position where right of set-off exists under certain circumstances that do not qualify for netting on the Consolidated Balance Sheets.

	2023			
	Gross amount of financial instruments presented in the Consolidated Balance Sheets	Related amounts not set-off in the Consolidated Balance Sheets		
		Offsetting counterparty position ¹	Financial collateral received / pledged ²	Net exposure
Financial instruments - assets				
Derivative financial instruments	\$ 2,219	\$ (925)	\$ (1,097)	\$ 197
Total financial instruments - assets	\$ 2,219	\$ (925)	\$ (1,097)	\$ 197
Financial instruments - liabilities				
Derivative financial instruments	\$ 1,288	\$ (925)	\$ (194)	\$ 169
Total financial instruments - liabilities	\$ 1,288	\$ (925)	\$ (194)	\$ 169
	2022			
	Gross amount of financial instruments presented in the Consolidated Balance Sheets	Related amounts not set-off in the Consolidated Balance Sheets		
		Offsetting counterparty position ¹	Financial collateral received / pledged ²	Net exposure
Financial instruments - assets				
Derivative financial instruments	\$ 2,314	\$ (856)	\$ (1,274)	\$ 184
Total financial instruments - assets	\$ 2,314	\$ (856)	\$ (1,274)	\$ 184
Financial instruments - liabilities				
Derivative financial instruments	\$ 1,639	\$ (856)	\$ (513)	\$ 270
Total financial instruments - liabilities	\$ 1,639	\$ (856)	\$ (513)	\$ 270

¹ Includes counterparty amounts recognized on the Consolidated Balance Sheets where the Company has a potential offsetting position (as described above) but does not meet the criteria for offsetting on the balance sheet, excluding collateral.

² Financial collateral presented above excludes overcollateralization and, for exchange-traded derivatives, initial margin. At December 31, 2023, total financial collateral, including initial margin and overcollateralization, received on derivative assets was \$1,715 (\$1,348 at December 31, 2022), and pledged on derivative liabilities was \$773 (\$754 at December 31, 2022).

8. Fair Value Measurement

The Company's assets and liabilities recorded at fair value have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access. Assets and liabilities utilizing Level 1 inputs include actively exchange-traded equity securities, exchange-traded futures, and mutual and segregated funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, government and agency securities, restricted stock, some private bonds and investment funds, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans. Investment contracts that are measured at FVTPL are mostly included in the Level 2 category.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds, certain asset-backed securities, some private equities, investments in mutual and segregated funds where there are redemption restrictions, certain over-the-counter derivatives, investment properties and equity release mortgages.

The following presents the Company's assets and liabilities measured at fair value on a recurring basis by hierarchy level:

Assets measured at fair value	2023			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 7,742	\$ —	\$ —	\$ 7,742
Financial assets at FVTPL				
Bonds	—	145,049	252	145,301
Mortgage loans	—	29,211	4,203	33,414
Stocks	10,863	218	3,809	14,890
Total financial assets at FVTPL	10,863	174,478	8,264	193,605
Financial assets at FVOCI				
Bonds	—	11,750	—	11,750
Mortgage loans	—	578	—	578
Total financial assets at FVOCI	—	12,328	—	12,328
Investment properties	—	—	7,870	7,870
Derivatives ¹	1	2,218	—	2,219
Assets held for sale ²	614	1,006	907	2,527
Other assets:				
Trading account assets	242	2,796	—	3,038
Other ³	—	443	—	443
Total assets measured at fair value	\$ 19,462	\$ 193,269	\$ 17,041	\$ 229,772
Liabilities measured at fair value				
Derivatives ⁴	\$ 5	\$ 1,283	\$ —	\$ 1,288
Investment contract liabilities	—	88,919	—	88,919
Other liabilities	—	443	—	443
Total liabilities measured at fair value	\$ 5	\$ 90,645	\$ —	\$ 90,650

¹ Excludes collateral received from counterparties of \$1,346.

² Assets held for sale measured at fair value includes cash of \$375, stocks of \$46 and trading account assets of \$2,106.

³ Includes collateral received under securities lending arrangements.

⁴ Excludes collateral pledged to counterparties of \$247.

There were no transfers of the Company's assets and liabilities between Level 1 and Level 2 in the year.

Notes to the Consolidated Financial Statements

	2022 ¹			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Cash and cash equivalents	\$ 7,290	\$ —	\$ —	\$ 7,290
Financial assets at FVTPL				
Bonds	—	143,195	195	143,390
Mortgage loans	—	29,013	3,371	32,384
Stocks	10,548	86	3,029	13,663
Total financial assets at FVTPL	10,548	172,294	6,595	189,437
Financial assets at FVOCI				
Bonds	—	12,701	—	12,701
Mortgage loans	—	621	—	621
Total financial assets at FVOCI	—	13,322	—	13,322
Investment properties	—	—	8,344	8,344
Derivatives ²	13	2,301	—	2,314
Assets held for sale	—	—	—	—
Other assets:				
Trading account assets	309	1,723	940	2,972
Other ³	11	180	—	191
Total assets measured at fair value	\$ 18,171	\$ 189,820	\$ 15,879	\$ 223,870
Liabilities measured at fair value				
Derivatives ⁴	\$ —	\$ 1,639	\$ —	\$ 1,639
Investment contract liabilities	—	94,810	—	94,810
Other liabilities	11	180	—	191
Total liabilities measured at fair value	\$ 11	\$ 96,629	\$ —	\$ 96,640

¹ Represents application of IFRS 9 overlay.

² Excludes collateral received from counterparties of \$1,348.

³ Includes collateral received under securities lending arrangements.

⁴ Excludes collateral pledged to counterparties of \$532.

There were no transfers of the Company's assets and liabilities between Level 1 and Level 2 in the year.

Notes to the Consolidated Financial Statements

The following presents additional information about assets and liabilities measured at fair value on a recurring basis and for which the Company has utilized Level 3 inputs to determine fair value:

	2023						
	FVTPL bonds	FVTPL mortgage loans	FVTPL ⁴ stocks	Investment properties	Trading account assets	Assets held for sale	Total Level 3 assets
Balance, beginning of year	\$ 195	\$ 3,371	\$ 3,029	\$ 8,344	\$ 940	\$ —	\$ 15,879
Total gains (losses)							
Included in net earnings	6	345	148	(507)	(12)	25	5
Included in other comprehensive income ¹	—	52	(12)	53	—	(14)	79
Purchases	68	—	948	191	23	12	1,242
Issues	—	569	—	—	—	—	569
Sales	(17)	—	(304)	(211)	—	(67)	(599)
Settlements	—	(134)	—	—	—	—	(134)
Other ²	—	—	—	—	(951)	951	—
Transfers into Level 3 ³	—	—	—	—	—	—	—
Transfers out of Level 3 ³	—	—	—	—	—	—	—
Balance, end of year	\$ 252	\$ 4,203	\$ 3,809	\$ 7,870	\$ —	\$ 907	\$ 17,041
Total gains (losses) for the year included in net investment result	\$ 6	\$ 345	\$ 148	\$ (507)	\$ (12)	\$ 25	\$ 5
Change in unrealized gains (losses) for the year included in earnings for assets held at December 31, 2023	\$ 6	\$ 334	\$ 148	\$ (499)	\$ —	\$ 25	\$ 14
	2022						
	FVTPL bonds	FVTPL mortgage loans	FVTPL ⁴ stocks	Available for-sale stocks	Investment properties	Trading account assets	Total Level 3 assets
Balance, beginning of year	\$ 100	\$ 2,609	\$ 1,680	\$ 204	\$ 7,763	\$ 531	\$ 12,887
Impact of application of IFRS 9 overlay	45	6	349	(204)	—	—	196
Revised balance, beginning of year	145	2,615	2,029	—	7,763	531	13,083
Total gains (losses)							
Included in net earnings	(12)	(644)	225	—	(41)	(125)	(597)
Included in other comprehensive income ¹	—	(70)	(7)	—	(42)	30	(89)
Purchases	82	—	924	—	710	710	2,426
Issues	—	1,631	—	—	—	—	1,631
Sales	(20)	—	(142)	—	(55)	(168)	(385)
Settlements	—	(161)	—	—	—	—	(161)
Other	—	—	—	—	9	—	9
Transfers into Level 3 ³	—	—	—	—	—	12	12
Transfers out of Level 3 ³	—	—	—	—	—	(50)	(50)
Balance, end of year	\$ 195	\$ 3,371	\$ 3,029	\$ —	\$ 8,344	\$ 940	\$ 15,879
Total gains (losses) for the year included in net investment result	\$ (12)	\$ (644)	\$ 225	\$ —	\$ (41)	\$ (125)	\$ (597)
Change in unrealized gains (losses) for the year included in earnings for assets held at December 31, 2022	\$ (12)	\$ (642)	\$ 199	\$ —	\$ (34)	\$ (126)	\$ (615)

¹ Amount of other comprehensive income for FVTPL, mortgage loans and investment properties represents the unrealized gains (losses) on foreign exchange.

² Represents amounts reclassified to assets held for sale as a result of the agreement to sell Putnam Investments (note 4).

³ Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies or the placement of redemption restrictions on investments in mutual and segregated funds. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors or the lifting of redemption restrictions on investments in mutual and segregated funds.

⁴ Includes investments in mutual and segregated funds where there are redemption restrictions. The fair value is based on observable, quoted prices.

Notes to the Consolidated Financial Statements

The following sets out information about significant unobservable inputs used at year-end in measuring assets and liabilities categorized as Level 3 in the fair value hierarchy:

Type of asset	Valuation approach	Significant unobservable input	Input value	Inter-relationship between key unobservable inputs and fair value measurement
Investment properties	Investment property valuations are generally determined using property valuation models based on expected capitalization rates and models that discount expected future net cash flows. The determination of the fair value of investment property requires the use of estimates such as future cash flows (such as future leasing assumptions, rental rates, capital and operating expenditures) and discount, reversionary and overall capitalization rates applicable to the asset based on current market rates.	Discount rate	Range of 4.2% - 11.3%	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value.
		Reversionary rate	Range of 4.1% - 7.8%	A decrease in the reversionary rate would result in an increase in fair value. An increase in the reversionary rate would result in a decrease in fair value.
		Vacancy rate	Weighted average of 4.7%	A decrease in the expected vacancy rate would generally result in an increase in fair value. An increase in the expected vacancy rate would generally result in a decrease in fair value.
Mortgage loans - equity release mortgages (FVTPL)	The valuation approach for equity release mortgages is to use an internal valuation model to determine the projected asset cash flows, including the cost of the no negative equity guarantee for each individual loan, to aggregate these across all loans and to discount those cash flows back to the valuation date. The projection is done monthly until expected redemption of the loan either voluntarily or on the death/entering into long term care of the loanholders.	Discount rate	Range of 4.3% - 6.2%	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value.
Stocks	The determination of the fair value of stocks requires the use of estimates such as future cash flows, discount rates, projected earnings multiples, or recent transactions.	Discount rate	Various	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value.

The following presents the Company's assets, liabilities and equity disclosed at fair value on a recurring basis by hierarchy level:

	2023				Total
	Level 1	Level 2	Level 3	Other assets/ liabilities not held at fair value	
Assets disclosed at fair value					
Financial assets at amortized cost					
Mortgage loans	\$ —	\$ 3,923	\$ —	\$ —	\$ 3,923
Total financial assets at amortized cost	—	3,923	—	—	3,923
Other stocks ¹	321	—	—	456	777
Total assets disclosed at fair value	\$ 321	\$ 3,923	\$ —	\$ 456	\$ 4,700
Liabilities and equity disclosed at fair value					
Debentures and other debt instruments	\$ 192	\$ 8,212	\$ —	\$ —	\$ 8,404
Limited recourse capital notes	—	1,155	—	—	1,155
Total liabilities and equity disclosed at fair value	\$ 192	\$ 9,367	\$ —	\$ —	\$ 9,559

¹ Other stocks include the Company's investment in IGM.

Notes to the Consolidated Financial Statements

	2022 ¹				Total
	Level 1	Level 2	Level 3	Other assets/ liabilities not held at fair value	
Assets disclosed at fair value					
Financial assets at amortized cost					
Mortgage loans	\$ —	\$ 3,577	\$ —	\$ —	\$ 3,577
Total financial assets at amortized cost	—	3,577	—	—	3,577
Other stocks ²	347	—	—	263	610
Total assets disclosed at fair value	\$ 347	\$ 3,577	\$ —	\$ 263	\$ 4,187
Liabilities and equity disclosed at fair value					
Debentures and other debt instruments					
	\$ 877	\$ 8,485	\$ —	\$ —	\$ 9,362
Limited recourse capital notes	—	1,125	—	—	1,125
Total liabilities and equity disclosed at fair value	\$ 877	\$ 9,610	\$ —	\$ —	\$ 10,487

¹ Represents application of IFRS 9 overlay.

² Other stocks include the Company's investment in IGM.

9. Goodwill and Intangible Assets

(a) Goodwill

(i) The Carrying Value and Changes in the Carrying Value of Goodwill are as Follows:

	2023	2022
Cost		
Balance, beginning of year	\$ 11,860	\$ 10,284
Transfer to assets held for sale	(1,214)	—
Business acquisitions	702	1,287
Purchase price allocation adjustments	(1)	31
Allocated to intangible assets	(11)	(80)
Changes in foreign exchange rates	(52)	338
Balance, end of year	\$ 11,284	\$ 11,860
Accumulated impairment		
Balance, beginning of year	\$ (1,249)	\$ (1,177)
Transfer to assets held for sale	1,214	—
Changes in foreign exchange rates	—	(72)
Balance, end of year	\$ (35)	\$ (1,249)
Net carrying amount	\$ 11,249	\$ 10,611

(ii) Goodwill has Been Assigned to Cash Generating Unit Groupings as Follows:

	2023	2022
Canada		
Group Customer	\$ 1,482	\$ 1,482
Individual Customer	3,250	2,560
Europe	2,366	2,355
United States		
Financial Services	4,151	4,214
Total	\$ 11,249	\$ 10,611

(b) Intangible Assets

Intangible assets of \$4,484 (\$6,230 as at December 31, 2022) include indefinite life and finite life intangible assets. The carrying value and changes in the carrying value of these intangible assets are as follows:

(i) Indefinite Life Intangible Assets:

	2023				2022			
	Brands and trademarks	Customer contract related	Shareholders' portion of acquired future participating account profit	Total	Brands and trademarks	Customer contract related	Shareholders' portion of acquired future participating account profit	Total
Cost								
Balance, beginning of year	\$ 1,079	\$ 2,678	\$ 354	\$ 4,111	\$ 1,048	\$ 2,542	\$ 354	\$ 3,944
Additions	—	26	—	26	—	—	—	—
Transfer to assets held for sale	(425)	(2,294)	—	(2,719)	—	—	—	—
Transfer to finite life intangible assets	(95)	—	—	(95)	—	—	—	—
Changes in foreign exchange rates	3	—	—	3	31	136	—	167
Balance, end of year	<u>\$ 562</u>	<u>\$ 410</u>	<u>\$ 354</u>	<u>\$ 1,326</u>	<u>\$ 1,079</u>	<u>\$ 2,678</u>	<u>\$ 354</u>	<u>\$ 4,111</u>
Accumulated impairment								
Balance, beginning of year	\$ (137)	\$ (1,092)	\$ —	\$ (1,229)	\$ (130)	\$ (1,028)	\$ —	\$ (1,158)
Transfer to assets held for sale	103	1,092	—	1,195	—	—	—	—
Impairment	(23)	—	—	(23)	—	—	—	—
Changes in foreign exchange rates	—	—	—	—	(7)	(64)	—	(71)
Balance, end of year	<u>\$ (57)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (57)</u>	<u>\$ (137)</u>	<u>\$ (1,092)</u>	<u>\$ —</u>	<u>\$ (1,229)</u>
Net carrying amount	<u>\$ 505</u>	<u>\$ 410</u>	<u>\$ 354</u>	<u>\$ 1,269</u>	<u>\$ 942</u>	<u>\$ 1,586</u>	<u>\$ 354</u>	<u>\$ 2,882</u>

During 2023, the Company recognized an impairment of \$23 on the PanAgora brand which is presented within operating and administrative expenses in the Consolidated Statements of Earnings.

(ii) Indefinite Life Intangible Assets Have Been Assigned to Cash Generating Unit Groupings as Follows:

	2023	2022
Canada		
Group Customer	\$ 354	\$ 354
Individual Customer	649	649
Europe	247	218
United States		
Asset Management	19	1,566
Financial Services	—	95
Total	<u>\$ 1,269</u>	<u>\$ 2,882</u>

Notes to the Consolidated Financial Statements

(iii) Finite Life Intangible Assets:

	2023				
	Customer contract related	Distribution channels	Brands and trademarks	Technology and software	Total
Amortization period range	7 - 30 years	30 years	10 years	3 - 10 years	
Amortization method	Straight-line	Straight-line	Straight-line	Straight-line	
Cost					
Balance, beginning of year	\$ 3,182	\$ 105	\$ —	\$ 2,886	\$ 6,173
Additions	29	—	—	313	342
Transfer to assets held for sale	(50)	—	—	(325)	(375)
Transfer from indefinite life intangible assets	—	—	95	—	95
Changes in foreign exchange rates	(29)	2	(2)	(5)	(34)
Disposals	—	—	—	(312)	(312)
Balance, end of year	\$ 3,132	\$ 107	\$ 93	\$ 2,557	\$ 5,889
Accumulated amortization and impairment					
Balance, beginning of year	\$ (1,013)	\$ (68)	\$ —	\$ (1,744)	\$ (2,825)
Transfer to assets held for sale	39	—	—	244	283
Changes in foreign exchange rates	5	(1)	—	7	11
Disposals	—	—	—	223	223
Amortization	(166)	(4)	(7)	(189)	(366)
Balance, end of year	\$ (1,135)	\$ (73)	\$ (7)	\$ (1,459)	\$ (2,674)
Net carrying amount	\$ 1,997	\$ 34	\$ 86	\$ 1,098	\$ 3,215
	2022 (Restated)				
	Customer contract related	Distribution channels	Brands and trademarks	Technology and software	Total
Amortization period range	7 - 30 years	30 years	10 years	3 - 10 years	
Amortization method	Straight-line	Straight-line	Straight-line	Straight-line	
Cost					
Balance, beginning of year	\$ 2,494	\$ 107	\$ —	\$ 2,488	\$ 5,089
Additions	548	—	—	352	900
Changes in foreign exchange rates	140	(2)	—	76	214
Disposals	—	—	—	(30)	(30)
Balance, end of year	\$ 3,182	\$ 105	\$ —	\$ 2,886	\$ 6,173
Accumulated amortization and impairment					
Balance, beginning of year	\$ (821)	\$ (66)	\$ —	\$ (1,474)	\$ (2,361)
Changes in foreign exchange rates	(32)	2	—	(58)	(88)
Disposals	—	—	—	2	2
Amortization from continuing operations	(157)	(4)	—	(193)	(354)
Amortization from discontinued operations (note 4)	(3)	—	—	(21)	(24)
Balance, end of year	\$ (1,013)	\$ (68)	\$ —	\$ (1,744)	\$ (2,825)
Net carrying amount	\$ 2,169	\$ 37	\$ —	\$ 1,142	\$ 3,348

During 2023, the Company recognized an impairment of \$88 (\$25 in 2022) on software assets in the United Kingdom which is presented within operating and administrative expenses in the Consolidated Statements of Earnings.

The weighted average remaining amortization period of the customer contract related, distribution channels and brands and trademarks are 14, 10 and 9 years respectively (15, 11 and nil years respectively at December 31, 2022).

(c) Recoverable Amount

For the purposes of annual impairment testing, the Company allocates intangible assets to cash generating units and goodwill to cash generating unit groupings. Any potential impairment of indefinite life intangible assets is identified by comparing the recoverable amount of a cash generating unit to its carrying value. Any potential impairment of goodwill is identified by comparing the recoverable amount of a cash generating unit grouping to its carrying value.

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

In the fourth quarter of 2023, the Company conducted its annual impairment testing of intangible assets and goodwill based on September 30, 2023 asset balances. It was determined that the recoverable amounts of cash generating units for intangible assets and cash generating unit groupings for goodwill were in excess of their carrying values and there was no evidence of impairment.

Any reasonable changes in assumptions and estimates used in determining recoverable amounts of cash generating units or cash generating unit groupings is unlikely to cause carrying values to exceed recoverable amounts.

10. Owner Occupied Properties and Fixed Assets

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

	2023	2022
Carrying value, beginning of year	\$ 907	\$ 882
Less: accumulated depreciation/impairments	(183)	(146)
Net carrying value, beginning of year	724	736
Additions	26	14
Disposals	—	—
Impairment	—	(18)
Depreciation	(18)	(19)
Foreign exchange	(1)	11
Net carrying value, end of year	<u>\$ 731</u>	<u>\$ 724</u>

The net carrying value of fixed assets is \$335 at December 31, 2023 (\$399 at December 31, 2022).

The following provides details of the net carrying value of owner occupied properties and fixed assets by operating segment:

	2023	2022
Canada	\$ 583	\$ 601
United States	270	334
Europe	212	187
Capital and Risk Solutions	1	1
Total	<u>\$ 1,066</u>	<u>\$ 1,123</u>

There are no restrictions on the title of the owner occupied properties and fixed assets, nor are they pledged as security for debt.

11. Other Assets

	2023	2022
Deferred acquisition costs	\$ 913	\$ 923
Right-of-use assets	308	371
Trading account assets ¹	3,038	2,972
Finance leases receivable	668	536
Defined benefit pension plan assets (note 26)	365	463
Prepaid expenses	128	132
Funds held under investment contracts	7,268	8,130
Miscellaneous other assets	1,795	2,422
Total	<u>\$ 14,483</u>	<u>\$ 15,949</u>

¹ Includes bonds of \$2,797 and stocks of \$241 at December 31, 2023 (bonds of \$2,647 and stocks of \$325 at December 31, 2022).

Notes to the Consolidated Financial Statements

Total other assets of \$5,000 (\$5,560 at December 31, 2022) are expected to be derecognized within 12 months from the reporting date. This amount excludes deferred acquisition costs, the changes in which are noted below.

Deferred Acquisition Costs

	2023	2022 (Restated)
Balance, beginning of year	\$ 923	\$ 851
Additions	201	173
Amortization	(114)	(101)
Changes in foreign exchange rates	(2)	23
Disposals	(95)	(23)
Balance, end of year	\$ 913	\$ 923

Right-of-Use Assets

	2023			2022		
	Property	Equipment	Total	Property	Equipment	Total
Cost						
Balance, beginning of year	\$ 626	\$ 13	\$ 639	\$ 578	\$ 12	\$ 590
Additions	91	2	93	40	2	42
Modifications	(3)	—	(3)	(8)	(1)	(9)
Changes in foreign exchange rates	(2)	—	(2)	16	—	16
Transfer to assets held for sale	(147)	(2)	(149)	—	—	—
Balance, end of year	\$ 565	\$ 13	\$ 578	\$ 626	\$ 13	\$ 639
Accumulated depreciation						
Balance, beginning of year	\$ (259)	\$ (9)	\$ (268)	\$ (194)	\$ (7)	\$ (201)
Depreciation	(50)	(2)	(52)	(66)	(3)	(69)
Modifications	2	—	2	6	1	7
Changes in foreign exchange rates	(1)	—	(1)	(5)	—	(5)
Transfer to assets held for sale	47	2	49	—	—	—
Balance, end of year	\$ (261)	\$ (9)	\$ (270)	\$ (259)	\$ (9)	\$ (268)
Net carrying amount, end of year	\$ 304	\$ 4	\$ 308	\$ 367	\$ 4	\$ 371

Finance Leases Receivable

The Company has a finance lease on one property in Canada which has been leased for a 25-year term. The Company has ten finance leases on properties in Europe. These properties have been leased for terms ranging between 27 and 40 years.

The Terms to Maturity of the Lease Payments Receivable are as Follows:

	2023	2022
One year or less	\$ 39	\$ 34
Over one year to two years	41	36
Over two years to three years	42	37
Over three years to four years	42	37
Over four years to five years	43	37
Over five years	1,063	879
Total undiscounted lease payments	1,270	1,060
Less: unearned finance lease income	602	524
Total finance leases receivable	\$ 668	\$ 536
Finance income on the net investment in the leases	\$ 32	\$ 28

12. Insurance Revenue

	2023	2022
Contracts not measured under the PAA		
Amounts relating to changes in liabilities for remaining coverage		
Experience adjustments	\$ (87)	\$ (127)
CSM recognized for services provided	1,224	1,169
Change in risk adjustment for non-financial risk for risk expired	609	638
Expected incurred claims and other insurance service expenses	9,161	8,802
Recovery of insurance acquisition cash flows	556	446
	<u>\$ 11,463</u>	<u>\$ 10,928</u>
Contracts measured under the PAA	8,939	8,704
Total insurance revenue	<u>\$ 20,402</u>	<u>\$ 19,632</u>

13. Insurance Service and Other Operating Expenses

	2023	2022
Claims and benefits incurred	\$ 13,982	\$ 12,924
Allocation of premium directly to recovery of insurance acquisition cash flows	702	637
Adjustments to the liability for incurred claims	(625)	12
Losses and reversal of losses on onerous insurance contracts	62	61
Salaries and other employee benefits	4,544	4,148
General and administrative	1,785	1,264
Interest expense on leases	11	10
Depreciation of fixed assets	87	105
Depreciation of right-of-use assets	52	57
Commissions	1,579	1,658
Total expenses	<u>\$ 22,179</u>	<u>\$ 20,876</u>
Represented by:		
Insurance service expenses	\$ 15,777	\$ 15,272
Other operating and administrative expenses	6,402	5,604
Total expenses	<u>\$ 22,179</u>	<u>\$ 20,876</u>

14. Insurance Contracts

(a) Analysis by Remaining Coverage and Incurred Claims

Insurance contracts	2023								
	Liability for remaining coverage		Liability for incurred claims				Asset for acquisition cash flows	Total	
	Excluding loss component	Loss component	Contracts not under PAA	Contracts under PAA		Asset for acquisition cash flows			Total
				Estimates of present value of future cash flows	Risk adjustment for non-financial risk				
Opening assets	\$ (1,275)	\$ 2	\$ 197	\$ (64)	\$ —	\$ —	\$ (1,140)		
Opening liabilities	118,505	199	3,366	12,994	545	(171)	135,438		
Opening liabilities on account of segregated fund policyholders	57,841	—	—	—	—	—	57,841		
Net opening balance	175,071	201	3,563	12,930	545	(171)	192,139		
Changes in the Consolidated Statements of Earnings and Comprehensive Income									
Insurance revenue	(20,402)	—	—	—	—	—	(20,402)		
Insurance service expenses									
Incurred claims and other insurance service expenses	—	(22)	9,311	6,250	99	—	15,638		
Amortization of insurance acquisition cash flows	702	—	—	—	—	—	702		
Losses and reversal of losses on onerous contracts	—	62	—	—	—	—	62		
Adjustments to liabilities for incurred claims	—	—	(47)	(455)	(123)	—	(625)		
	702	40	9,264	5,795	(24)	—	15,777		
Investment components	(10,085)	—	7,193	2,892	—	—	—		
Total changes in insurance service result	(29,785)	40	16,457	8,687	(24)	—	(4,625)		
Net finance (income) expenses from insurance contracts	9,515	12	5,274	709	31	—	15,541		
Effect of movement in exchange rates	88	—	7	72	3	—	170		
Total changes in the Consolidated Statements of Earnings and Comprehensive Income	(20,182)	52	21,738	9,468	10	—	11,086		
Cash flows									
Premiums received	30,906	—	—	—	—	—	30,906		
Incurred claims paid and other insurance service expenses paid	(63)	—	(21,594)	(8,823)	—	—	(30,480)		
Insurance acquisition cash flows	(865)	—	—	—	—	—	(865)		
Insurance acquisition cash flows transferred from the asset for insurance acquisition cash flows at initial recognition	(32)	—	—	—	—	—	(32)		
Other cash flows ¹	903	—	—	—	—	—	903		
Total cash flows	30,849	—	(21,594)	(8,823)	—	—	432		
Asset for acquisition cash flows									
Insurance acquisition cash flows paid in the period	—	—	—	—	—	(35)	(35)		
Insurance acquisition cash flows allocated to groups of insurance contracts recognized in the period	—	—	—	—	—	32	32		
Total changes in asset for acquisition cash flows	—	—	—	—	—	(3)	(3)		
Other movements ²	(157)	—	—	—	—	—	(157)		
Net closing balance ³	\$ 185,581	\$ 253	\$ 3,707	\$ 13,575	\$ 555	\$ (174)	\$ 203,497		
Recorded in:									
Closing assets	\$ (2,021)	\$ —	\$ 831	\$ (3)	\$ —	\$ —	\$ (1,193)		
Closing liabilities	127,300	253	2,876	13,578	555	(174)	144,388		
Closing liabilities on account of segregated fund policyholders	60,302	—	—	—	—	—	60,302		
Net closing balance ³	\$ 185,581	\$ 253	\$ 3,707	\$ 13,575	\$ 555	\$ (174)	\$ 203,497		

¹ Other cash flows includes transfer to/from segregated funds, premiums to be settled via funding component balance (FCB), claims to be settled via FCB, net settlements, and other cash flows from policy loans.

² Other movements represent changes in the expected fulfillment cash flows on certain reinsurance contracts held where the Company has no continuing involvement other than exposure to the remote insolvency risk of the reinsurer. This movement is offset by movement in associated reinsurance assets.

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

Notes to the Consolidated Financial Statements

Insurance contracts

	2022							
	Liability for remaining coverage		Liability for incurred claims				Asset for acquisition cash flows	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				
Opening assets	\$ (2,125)	\$ —	\$ 730	\$ (138)	\$ —	\$ —	\$ (1,533)	
Opening liabilities	140,178	181	2,963	14,155	595	(162)	157,910	
Opening liabilities on account of segregated fund policyholders	65,253	—	—	—	—	—	65,253	
Net opening balance	203,306	181	3,693	14,017	595	(162)	221,630	
Changes in the Consolidated Statements of Earnings and Comprehensive Income								
Insurance revenue	(19,632)	—	—	—	—	—	(19,632)	
Insurance service expenses								
Incurred claims and other insurance service expenses	—	(26)	8,848	5,396	344	—	14,562	
Amortization of insurance acquisition cash flows	637	—	—	—	—	—	637	
Losses and reversal of losses on onerous contracts	—	61	—	—	—	—	61	
Adjustments to liabilities for incurred claims	—	—	(66)	377	(299)	—	12	
	637	35	8,782	5,773	45	—	15,272	
Investment components	(9,018)	—	6,072	2,946	—	—	—	
Total changes in insurance service result	(28,013)	35	14,854	8,719	45	—	(4,360)	
Net finance (income) expenses from insurance contracts	(27,956)	(16)	4,370	(1,359)	(88)	—	(25,049)	
Effect of movement in exchange rates	127	1	27	(139)	(7)	—	9	
Total changes in the Consolidated Statements of Earnings and Comprehensive Income	(55,842)	20	19,251	7,221	(50)	—	(29,400)	
Cash flows								
Premiums received	30,502	—	—	—	—	—	30,502	
Incurred claims paid and other insurance service expenses paid	(55)	—	(19,362)	(8,280)	—	—	(27,697)	
Insurance acquisition cash flows	(832)	—	—	—	—	—	(832)	
Insurance acquisition cash flows transferred from the asset for insurance acquisition cash flows at initial recognition	(98)	—	—	—	—	—	(98)	
Other cash flows ¹	898	—	—	—	—	—	898	
Total cash flows	30,415	—	(19,362)	(8,280)	—	—	2,773	
Asset for acquisition cash flows								
Insurance acquisition cash flows paid in the period	—	—	—	—	—	(107)	(107)	
Insurance acquisition cash flows allocated to groups of insurance contracts recognized in the period	—	—	—	—	—	98	98	
Total changes in asset for acquisition cash flows	—	—	—	—	—	(9)	(9)	
Other movements ²	(2,982)	—	(19)	(28)	—	—	(3,029)	
Impact of acquisitions/dispositions ³	174	—	—	—	—	—	174	
Net closing balance ⁴	\$ 175,071	\$ 201	\$ 3,563	\$ 12,930	\$ 545	\$ (171)	\$ 192,139	
Recorded in:								
Closing assets	\$ (1,275)	\$ 2	\$ 197	\$ (64)	\$ —	\$ —	\$ (1,140)	
Closing liabilities	118,505	199	3,366	12,994	545	(171)	135,438	
Closing liabilities on account of segregated fund policyholders	57,841	—	—	—	—	—	57,841	
Net closing balance ⁴	\$ 175,071	\$ 201	\$ 3,563	\$ 12,930	\$ 545	\$ (171)	\$ 192,139	

¹ Other cash flows includes transfer to/from segregated funds, premiums to be settled via FCB, claims to be settled via FCB, net settlements, and other cash flows from policy loans.

² Other movements represent changes in the expected fulfillment cash flows on certain reinsurance contracts held where the Company has no continuing involvement other than exposure to the remote insolvency risk of the reinsurer. This movement is offset by movement in associated reinsurance assets.

³ On April 1, 2022, the Company completed the acquisition of the full-service retirement services business of Prudential Financial, Inc. The contributions of the acquired business to the Company's overall results have been presented separately for the comparative period.

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

(b) Analysis by Measurement Component for Insurance Contracts not Measured Under PAA

Insurance contracts	2023			
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
Opening assets	\$ (4,271)	\$ 515	\$ 2,773	\$ (983)
Opening liabilities	105,278	6,036	11,361	122,675
Opening liabilities on account of segregated fund policyholders	57,841	—	—	57,841
Net opening balance	158,848	6,551	14,134	179,533
Changes in the Consolidated Statements of Earnings and Comprehensive Income				
Changes that relate to current service				
CSM recognized for services provided	—	—	(1,224)	(1,224)
Change in risk adjustment for non-financial risk for risk expired	—	(611)	—	(611)
Experience adjustments	214	1	—	215
Changes that relate to future service				
Contracts initially recognized in the year	(1,037)	358	688	9
Changes in estimates that adjust the CSM	(11)	91	(80)	—
Changes in estimates that result in losses and reversal of losses on onerous contacts	56	15	—	71
Changes that relate to past service				
Adjustment to liabilities for incurred claims	(45)	(2)	—	(47)
Total changes in insurance service result	(823)	(148)	(616)	(1,587)
Net finance (income) expenses from insurance contracts	14,058	591	152	14,801
Effect of movement in exchange rates	(22)	32	78	88
Total changes in the Consolidated Statements of Earnings and Comprehensive Income	13,213	475	(386)	13,302
Cash flows				
Premiums received	19,144	—	—	19,144
Incurred claims paid and other insurance service expenses paid	(21,654)	—	—	(21,654)
Insurance acquisition cash flows	(755)	—	—	(755)
Other cash flows ¹	897	—	—	897
Total cash flows	(2,368)	—	—	(2,368)
Other movements ²	(157)	—	—	(157)
Net closing balance	\$ 169,536	\$ 7,026	\$ 13,748	\$ 190,310
Recorded in:				
Closing assets	\$ (6,560)	\$ 1,654	\$ 3,796	\$ (1,110)
Closing liabilities	115,794	5,372	9,952	131,118
Closing liabilities on account of segregated fund policyholders	60,302	—	—	60,302
Net closing balance	\$ 169,536	\$ 7,026	\$ 13,748	\$ 190,310

¹ Other cash flows includes transfer to/from segregated funds, premiums to be settled via FCB, claims to be settled via FCB, net settlements, and other cash flows from policy loans.

² Other movements represent changes in the expected fulfillment cash flows on certain reinsurance contracts held where the Company has no continuing involvement other than exposure to the remote insolvency risk of the reinsurer. This movement is offset by movement in associated reinsurance assets.

Notes to the Consolidated Financial Statements

Insurance contracts	2022			
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
Opening assets	\$ (7,289)	\$ 2,376	\$ 3,609	\$ (1,304)
Opening liabilities	127,643	7,067	9,447	144,157
Opening liabilities on account of segregated fund policyholders	65,253	—	—	65,253
Net opening balance	185,607	9,443	13,056	208,106
Changes in the Consolidated Statements of Earnings and Comprehensive Income				
Changes that relate to current service				
CSM recognized for services provided	—	—	(1,169)	(1,169)
Change in risk adjustment for non-financial risk for risk expired	—	(638)	—	(638)
Experience adjustments	140	1	—	141
Changes that relate to future service				
Contracts initially recognized in the year	(1,138)	385	766	13
Changes in estimates that adjust the CSM	(958)	(112)	1,069	(1)
Changes in estimates that result in losses and reversal of losses on onerous 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 exchange rates	254	(83)	2	173
Total changes in the Consolidated Statements of Earnings and Comprehensive Income	(22,960)	(2,922)	784	(25,098)
Cash flows				
Premiums received	18,672	—	—	18,672
Incurred claims paid and other insurance service expenses paid	(19,417)	—	—	(19,417)
Insurance acquisition cash flows	(746)	—	—	(746)
Fee transfers from the segregated fund	(52)	—	—	(52)
Other cash flows ¹	936	—	—	936
Total cash flows	(607)	—	—	(607)
Other movements ²	(3,042)	—	—	(3,042)
Impact of acquisitions/dispositions ³	(150)	30	294	174
Net closing balance	\$ 158,848	\$ 6,551	\$ 14,134	\$ 179,533
Recorded in:				
Closing assets	\$ (4,271)	\$ 515	\$ 2,773	\$ (983)
Closing liabilities	105,278	6,036	11,361	122,675
Closing liabilities on account of segregated fund policyholders	57,841	—	—	57,841
Net closing balance	\$ 158,848	\$ 6,551	\$ 14,134	\$ 179,533

¹ Other cash flows includes transfer to/from segregated funds, premiums to be settled via FCB, claims to be settled via FCB, net settlements, and other cash flows from policy loans.

² Other movements represent changes in the expected fulfillment cash flows on certain reinsurance contracts held where the Company has no continuing involvement other than exposure to the remote insolvency risk of the reinsurer. This movement is offset by movement in associated reinsurance assets.

³ On April 1, 2022, the Company completed the acquisition of the full-service retirement services business of Prudential Financial, Inc. The contributions of the acquired business to the Company's overall results have been presented separately for the comparative period.

(c) Composition of Insurance Contract Liabilities and Related Supporting Assets**(i) The Composition of the Insurance and Reinsurance Contract Assets and Liabilities, as well as Investment Contract Liabilities is as Follows:**

2023						
	Insurance contract assets	Reinsurance contract held assets	Insurance contract liabilities	Investment contract liabilities	Reinsurance contract held liabilities	
Participating						
Canada	\$ —	\$ —	\$ 50,499	\$ —	\$ —	
United States	—	—	5,032	—	—	
Europe	—	—	124	—	—	
Capital and Risk Solutions	—	—	671	—	—	
Non-Participating						
Canada	400	1,243	30,956	3,931	208	
United States	291	12,243	13,047	83,966	163	
Europe	331	3,713	39,266	341	250	
Capital and Risk Solutions	171	133	4,793	681	27	
Total	\$ 1,193	\$ 17,332	\$ 144,388	\$ 88,919	\$ 648	
2022						
	Insurance contract assets	Reinsurance contract held assets	Insurance contract liabilities	Investment contract liabilities	Reinsurance contract held liabilities	
Participating						
Canada	\$ —	\$ —	\$ 46,127	\$ —	\$ —	
United States	—	—	5,161	—	—	
Europe	—	—	126	—	—	
Capital and Risk Solutions	—	—	656	—	—	
Non-Participating						
Canada	408	1,211	28,931	3,635	164	
United States	245	12,624	13,508	90,139	167	
Europe	322	3,639	35,544	323	226	
Capital and Risk Solutions	165	97	5,385	713	(20)	
Total	\$ 1,140	\$ 17,571	\$ 135,438	\$ 94,810	\$ 537	

(ii) The Composition of the Assets Supporting Insurance and Investment Contract Liabilities and Equity is as Follows:

	2023					
	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Carrying value						
Participating liabilities						
Canada	\$ 22,726	\$ 12,503	\$ 9,853	\$ 4,662	\$ 755	\$ 50,499
United States	4,299	500	187	—	46	5,032
Europe	56	—	41	3	24	124
Capital and Risk Solutions	570	5	—	—	96	671
Non-participating liabilities						
Canada	21,408	4,244	2,782	644	5,809	34,887
United States	53,381	11,760	1,301	—	30,571	97,013
Europe	25,738	6,707	467	2,113	4,582	39,607
Capital and Risk Solutions	4,938	488	—	—	48	5,474
Other	11,448	1,483	164	—	436,977	450,072
Total equity	12,487	724	938	448	15,254	29,851
Total carrying value	\$ 157,051	\$ 38,414	\$ 15,733	\$ 7,870	\$ 494,162	\$ 713,230
Fair value	\$ 157,051	\$ 37,915	\$ 15,667	\$ 7,870	\$ 494,162	\$ 712,665
	2022 ¹					
	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Carrying value						
Participating liabilities						
Canada	\$ 20,006	\$ 12,049	\$ 9,194	\$ 4,876	\$ 2	\$ 46,127
United States	4,366	552	137	—	106	5,161
Europe	54	—	46	8	18	126
Capital and Risk Solutions	553	7	—	—	96	656
Non-participating liabilities						
Canada	20,610	3,851	2,707	685	4,713	32,566
United States	60,783	12,456	873	—	29,535	103,647
Europe	23,512	6,082	388	2,345	3,540	35,867
Capital and Risk Solutions	5,343	216	—	—	539	6,098
Other	10,023	1,128	79	—	401,933	413,163
Total equity	10,841	856	877	430	15,791	28,795
Total carrying value	\$ 156,091	\$ 37,197	\$ 14,301	\$ 8,344	\$ 456,273	\$ 672,206
Fair value	\$ 156,091	\$ 36,582	\$ 14,273	\$ 8,344	\$ 456,273	\$ 671,563

¹ Represents application of IFRS 9 overlay.

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

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

(d) Effect on Measurement Components of Contracts Initially Recognized in the Year**Insurance contracts**

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

Insurance contracts

	2022		
	Profitable contracts issued	Onerous contracts issued	Total
Insurance acquisition cash flows	\$ 343	\$ 64	\$ 407
Claims and other insurance service expenses payable	10,753	526	11,279
Estimates of present value of cash outflows	11,096	590	11,686
Estimates of present value of cash inflows	(12,155)	(669)	(12,824)
Risk adjustment for non-financial risk	296	89	385
CSM	755	11	766
Total losses (gains) recognized on initial recognition	\$ (8)	\$ 21	\$ 13

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

(e) Maturity Analysis of Insurance and Reinsurance Contracts Held

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

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

Notes to the Consolidated Financial Statements

	2022							Total
	1 year or less	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years		
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)	
	<u>\$ 6,093</u>	<u>\$ 2,856</u>	<u>\$ 2,794</u>	<u>\$ 3,094</u>	<u>\$ 3,228</u>	<u>\$ 392,349</u>	<u>\$ 410,414</u>	
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)	
	<u>\$ (499)</u>	<u>\$ (149)</u>	<u>\$ (116)</u>	<u>\$ (119)</u>	<u>\$ (130)</u>	<u>\$ (2,888)</u>	<u>\$ (3,901)</u>	

(f) Amount of Insurance Contract Liabilities Payable on Demand

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

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

(g) Expected Remaining CSM Recognition

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

(h) Expected Derecognition of the Asset for Insurance Acquisition Cash Flows

	Insurance contracts							Total
	1 year or less	1-2 years	2-3 years	3-4 years	4-5 years	5-10 years	Over 10 years	
2023	\$ 30	\$ 28	\$ 26	\$ 24	\$ 20	\$ 46	\$ —	\$ 174
2022	29	27	25	23	21	46	—	171

(i) Insurance Risk

Actuarial Assumptions

In the computation of insurance contract liabilities, valuation assumptions have been made regarding rates of mortality/morbidity, investment returns, levels of operating expenses, rates of policy termination and rates of utilization of elective policy options or provisions. The valuation assumptions use best estimates of future experience together with a risk adjustment for non-financial risk. The risk adjustment for non-financial risk represents the compensation that the Company requires for bearing uncertainty in the amount and timing of insurance contract cash flows. Risk adjustments for non-financial risk are reviewed periodically for continued appropriateness.

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

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

The methods for arriving at these valuation assumptions are outlined below:

Mortality

A life insurance mortality study is carried out regularly for each major block of insurance business. The results of each study are used to update the Company's experience valuation mortality tables for that business. Annuitant mortality is also studied regularly, and the results are used to modify established annuitant mortality tables. When there is insufficient data, the Company uses the latest industry experience to derive an

Notes to the Consolidated Financial Statements

appropriate valuation mortality assumption. Improvement scales for life insurance and annuitant mortality are updated periodically based on population and industry studies, product specific considerations, as well as professional guidance. In addition, appropriate provisions are made for future mortality deterioration on term insurance.

Morbidity

The Company uses industry developed experience tables modified to reflect emerging Company experience. Both claim incidence and termination are monitored regularly, and emerging experience is factored into the current valuation.

Expenses

Expenses for certain items, such as sales commissions and policy taxes and fees, are either contractual or specified by law, and so they are only reflected on a best estimate basis in the liability. Operating expenses, such as policy and claims administration as well as overhead, are more variable. The Company produces expense studies for operating expenses regularly to determine an appropriate estimate of future operating expenses for the liability type being valued. An inflation assumption is incorporated in the estimate of future operating expenses held within the liability.

Policy Termination

Studies to determine rates of policy termination are updated regularly to form the basis of this estimate. Industry data is also available and is useful where the Company has no experience with specific types of policies or its exposure is limited. The Company's most significant exposures are in respect of the T-100 and Level Cost of Insurance Universal Life products in Canada and policy renewal rates at the end of the term for renewable term policies in Canada and Capital and Risk Solutions. Industry experience has guided the Company's assumptions for these products as its own experience is very limited.

Property and Casualty Reinsurance

Insurance contract liabilities for property and casualty reinsurance written by Capital and Risk Solutions are determined using accepted actuarial practices for property and casualty insurers in Canada. The insurance contract liabilities are based on cession statements provided by ceding companies. In addition, insurance contract liabilities also include an amount for incurred but not reported losses, which may differ significantly from the ultimate loss development. The estimates and underlying methodology are continually reviewed and updated and adjustments to estimates are reflected in net earnings. Capital and Risk Solutions analyzes the emergence of claims experience against expected assumptions for each reinsurance contract separately and at the portfolio level. If necessary, a more in depth analysis is undertaken of the cedant experience.

Utilization of Elective Policy Options

There are a wide range of elective options embedded in the policies issued by the Company. Examples include term renewals, conversion to whole life insurance (term insurance), settlement annuity purchase at guaranteed rates (deposit annuities) and guarantee re-sets (segregated fund maturity guarantees). The assumed rates of utilization are based on Company or industry experience when it exists and otherwise based on judgment considering incentives to utilize the option. Generally, whenever it is clearly in the best interests of an informed policyholder to utilize an option, then it is assumed to be elected.

Policyholder Dividends and Adjustable Policy Features

Future policyholder dividends and other adjustable policy features are included in the determination of insurance contract liabilities with the assumption that policyholder dividends or adjustable benefits will change in the future in response to the relevant experience. The dividend and policy adjustments are determined consistent with policyholders' reasonable expectations, such expectations being influenced by the participating policyholder dividend policies and/or policyholder communications, marketing material and past practice. It is the Company's expectation that changes will occur in policyholder dividend scales or adjustable benefits for participating or adjustable business respectively, corresponding to changes in the best estimate assumptions, resulting in an immaterial net change in insurance contract liabilities. Where underlying guarantees may limit the ability to pass all of this experience back to the policyholder, the impact of this non-adjustability impacting shareholders' net earnings is reflected in the impacts of changes in best estimate assumptions below.

Investment Returns

Interest rate risk is managed by investing in assets that are suitable for the products sold. The Company utilizes a formal process for managing the matching of assets and liabilities. This involves grouping general fund assets and liabilities into segments. Assets in each segment are managed in relation to the liabilities in the segment. The impact to net earnings from changes in the interest rates would be largely offset by changes in the value of financial assets supporting the liabilities. However, differences in the interest rate sensitivity in the value of assets and the value of insurance and investment contract liabilities leads to a sensitivity to interest rate movements in net earnings under IFRS 17 and IFRS 9.

Insurance and Investment Contract Liabilities

In determining the Company's insurance contract liabilities, valuation assumptions are made regarding rates of mortality/morbidity, investment returns, levels of operating expenses, rates of policy termination and rates of utilization of elective policy options or provisions. When the assumptions are revised to reflect emerging experience or change in outlook, the result is a change in the value of liabilities which in turn affects the Company's earnings.

Notes to the Consolidated Financial Statements

Non-Financial Exposures and Sensitivities

Insurance Risk

	2023			
	Net earnings		CSM ¹	
	Before Reinsurance	Net of Reinsurance Held	Before Reinsurance	Net of Reinsurance Held
2% Life mortality increase	\$ (100)	\$ (100)	\$ (375)	\$ (200)
2% Annuity mortality decrease	175	150	(700)	(625)
5% Morbidity adverse change	(150)	(125)	(225)	(100)
5% Expense increase	—	—	(150)	(150)
10% Adverse change in policy termination and renewal	50	50	(1,025)	(950)

	2022			
	Net earnings		CSM ¹	
	Before Reinsurance	Net of Reinsurance Held	Before Reinsurance	Net of Reinsurance Held
2% Life mortality increase	\$ 50	\$ 25	\$ (550)	\$ (325)
2% Annuity mortality decrease	200	200	(725)	(650)
5% Morbidity adverse change	(75)	(100)	(275)	(125)
5% Expense increase	—	—	(175)	(175)
10% Adverse change in policy termination and renewal	150	150	(1,125)	(1,100)

¹ The impacts to the CSM are pre-tax.

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

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

Concentration risk may arise from geographic regions, accumulation of risks and market risk. The concentration of insurance risk before and after reinsurance by geographic region is described in the segmented information (note 33).

Reinsurance Risk

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

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

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

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

Discount Rates

The following table provides the lower and upper end of the range of the spot rates used by the Company to discount liability cash flows by major currency:

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

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

The spot rates in the table above are calculated based on prevailing interest rates observed in their respective markets. When interest rates are not observable, the yield curve to discount cash flows transitions to an ultimate rate composed of a risk-free rate and illiquidity premium. These amounts are set based on historical data.

15. Reinsurance Contracts Held

(a) Analysis by Remaining Coverage and Incurred Claims

Reinsurance contracts held	2023					
	Asset for remaining coverage		Asset for incurred claims			Total
	Excluding loss recovery component	Loss recovery component	Contracts not under the 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 Consolidated Statements of Earnings and Comprehensive Income						
Net expenses from reinsurance contracts	(3,676)	28	1,319	784	1	(1,544)
Investment components	(107)	—	107	—	—	—
Net finance income from reinsurance contracts, excluding the effect of changes in non-performance risk of reinsurers	184	6	34	—	—	224
Effect of movement in exchange rates	(189)	—	11	3	—	(175)
Total changes in the Consolidated Statements of Earnings and Comprehensive Income	(3,788)	34	1,471	787	1	(1,495)
Cash flows						
Premiums paid	6,930	—	—	—	—	6,930
Incurred claims received and other insurance service amounts received	—	—	(1,426)	(861)	—	(2,287)
Other cash flows ¹	(3,341)	—	—	—	—	(3,341)
Total cash flows	3,589	—	(1,426)	(861)	—	1,302
Other movements ²	(157)	—	—	—	—	(157)
Net closing balance ³	\$ 15,096	\$ 110	\$ 1,220	\$ 246	\$ 12	\$ 16,684
Recorded in:						
Closing assets	\$ 15,981	\$ 90	\$ 1,002	\$ 247	\$ 12	\$ 17,332
Closing liabilities	(885)	20	218	(1)	—	(648)
Net closing balance ³	\$ 15,096	\$ 110	\$ 1,220	\$ 246	\$ 12	\$ 16,684

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

² Other movements represent changes in the expected fulfillment cash flows on certain reinsurance contracts held where the Company has no continuing involvement other than exposure to the remote insolvency risk of the reinsurer. This movement is offset by movement in associated reinsurance assets.

³ Included in the reinsurance contracts held amounts are funds withheld by the Company under reinsurance contracts of \$4,491.

Notes to the Consolidated Financial Statements

Reinsurance contracts held

2022

	Asset for remaining coverage		Asset for incurred claims				Total
	Excluding loss recovery component	Loss recovery component	Contracts not under the PAA	Contracts under PAA			
				Estimates of present value of future cash flows	Risk adjustment for non-financial risk		
Opening assets	\$ 20,425	\$ 65	\$ 1,003	\$ 342	\$ 8	\$ 21,843	
Opening liabilities	(1,314)	—	24	—	—	(1,290)	
Net opening balance	19,111	65	1,027	342	8	20,553	
Changes in the Consolidated Statements of Earnings and Comprehensive Income							
Net expenses from reinsurance contracts	(3,538)	17	1,196	788	6	(1,531)	
Investment components	(63)	—	63	—	—	—	
Net finance income from reinsurance contracts, excluding the effect of changes in non-performance risk of reinsurers	(1,180)	(6)	(50)	(12)	(3)	(1,251)	
Effect of movement in exchange rates	737	—	5	(3)	—	739	
Total changes in the Consolidated Statements of Earnings and Comprehensive Income	(4,044)	11	1,214	773	3	(2,043)	
Cash flows							
Premiums paid	3,308	—	—	—	—	3,308	
Incurred claims received and other insurance service amounts received	—	—	(1,034)	(794)	—	(1,828)	
Other cash flows ¹	29	—	—	—	—	29	
Total cash flows	3,337	—	(1,034)	(794)	—	1,509	
Other movements ²	(2,952)	—	(32)	(1)	—	(2,985)	
Net closing balance ³	\$ 15,452	\$ 76	\$ 1,175	\$ 320	\$ 11	\$ 17,034	
Recorded in:							
Closing assets	\$ 16,212	\$ 76	\$ 952	\$ 320	\$ 11	\$ 17,571	
Closing liabilities	(760)	—	223	—	—	(537)	
Net closing balance ³	\$ 15,452	\$ 76	\$ 1,175	\$ 320	\$ 11	\$ 17,034	

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

² Other movements represent changes in the expected fulfillment cash flows on certain reinsurance contracts held where the Company has no continuing involvement other than exposure to the remote insolvency risk of the reinsurer. This movement is offset by movement in associated reinsurance assets.

³ Included in the reinsurance contracts held amounts are funds withheld by the Company under reinsurance contracts of \$1,039.

(b) Analysis by Measurement Component for Reinsurance Contracts Held not Measured Under PAA

Reinsurance contracts held	2023			
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
Opening assets	\$ 15,791	\$ 1,062	\$ 514	\$ 17,367
Opening liabilities	(1,458)	429	497	(532)
Net opening balance	14,333	1,491	1,011	16,835
Changes in the Consolidated Statements of Earnings and Comprehensive Income				
Changes that relate to current service				
CSM recognized for services received	—	—	(102)	(102)
Change in risk adjustment for non-financial risk for risk expired	—	(156)	—	(156)
Experience adjustments	40	(1)	—	39
Changes that relate to future service				
Contracts initially recognized in the year	(85)	69	22	6
Changes in estimates that adjust the CSM	(332)	158	174	—
Changes in estimates that result in losses and reversal of losses on onerous contacts	20	10	—	30
Changes that relate to past service				
Changes in amounts recoverable arising from changes in liability for incurred claims	(4)	(1)	—	(5)
Net expenses from reinsurance contracts	(361)	79	94	(188)
Net finance income from reinsurance contracts, excluding the effect of changes in non-performance risk of reinsurers	62	152	13	227
Effect of movement in exchange rates	(181)	7	(5)	(179)
Total changes in the Consolidated Statements of Earnings and Comprehensive Income	(480)	238	102	(140)
Cash flows				
Premiums paid	4,834	—	—	4,834
Incurred claims received and other insurance service amounts received	(1,427)	—	—	(1,427)
Other cash flows ¹	(3,341)	—	—	(3,341)
Total cash flows	66	—	—	66
Other movements ²	(157)	—	—	(157)
Net closing balance	\$ 13,762	\$ 1,729	\$ 1,113	\$ 16,604
Recorded in:				
Closing assets	\$ 16,181	\$ 866	\$ 163	\$ 17,210
Closing liabilities	(2,419)	863	950	(606)
Net closing balance	\$ 13,762	\$ 1,729	\$ 1,113	\$ 16,604

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

² Other movements represent changes in the expected fulfillment cash flows on certain reinsurance contracts held where the Company has no continuing involvement other than exposure to the remote insolvency risk of the reinsurer. This movement is offset by movement in associated reinsurance assets.

Notes to the Consolidated Financial Statements

	2022			
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
Reinsurance contracts held				
Opening assets	\$ 19,427	\$ 1,496	\$ 705	\$ 21,628
Opening liabilities	(2,123)	472	371	(1,280)
Net opening balance	17,304	1,968	1,076	20,348
Changes in the Consolidated Statements of Earnings and Comprehensive Income				
Changes that relate to current service				
CSM recognized for services received	—	—	(95)	(95)
Change in risk adjustment for non-financial risk for risk expired	—	(153)	—	(153)
Experience adjustments	(54)	—	—	(54)
Changes that relate to future service				
Contracts initially recognized in the year	(113)	74	53	14
Changes in estimates that adjust the CSM	(39)	72	(44)	(11)
Changes in estimates that result in losses and reversal of losses on onerous 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 from reinsurance contracts, excluding the effect of changes in non-performance risk of reinsurers	(787)	(472)	27	(1,232)
Effect of movement in exchange rates	759	(10)	(6)	743
Total changes in the Consolidated Statements of Earnings and Comprehensive Income	(211)	(477)	(65)	(753)
Cash flows				
Premiums paid	1,231	—	—	1,231
Incurred claims received and other insurance service amounts received	(1,035)	—	—	(1,035)
Other cash flows ¹	29	—	—	29
Total cash flows	225	—	—	225
Other movements ²	(2,985)	—	—	(2,985)
Net closing balance	\$ 14,333	\$ 1,491	\$ 1,011	\$ 16,835
Recorded in:				
Closing assets	\$ 15,791	\$ 1,062	\$ 514	\$ 17,367
Closing liabilities	(1,458)	429	497	(532)
Net closing balance	\$ 14,333	\$ 1,491	\$ 1,011	\$ 16,835

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

² Other movements represent changes in the expected fulfillment cash flows on certain reinsurance contracts held where the Company has no continuing involvement other than exposure to the remote insolvency risk of the reinsurer. This movement is offset by movement in associated reinsurance assets.

(c) Effect on Measurement Components of Contracts Initially Recognized in the Year

Reinsurance contracts held	2023	2022
Estimates of present value of cash outflows	\$ 882	\$ 1,199
Estimates of present value of cash inflows	(797)	(1,086)
Risk adjustment for non-financial risk	(69)	(74)
Income recognized on initial recognition	6	14
CSM	\$ (22)	\$ (53)

The Company did not acquire any reinsurance contracts held through transfer or business combination.

(d) Expected Remaining CSM Recognition

	Reinsurance contracts held							Total
	1 year or less	1-2 years	2-3 years	3-4 years	4-5 years	5-10 years	Over 10 years	
2023	\$ (122)	\$ (108)	\$ (97)	\$ (86)	\$ (77)	\$ (266)	\$ (357)	\$ (1,113)
2022	(91)	(82)	(75)	(68)	(61)	(253)	(381)	(1,011)

16. Investment Contract Liabilities**Change in Investment Contract Liabilities Measured at Fair Value**

	2023	2022
Balance, beginning of year	\$ 94,810	\$ 53,694
Impact of acquired business	—	44,905
Normal change in force business	(9,356)	(1,544)
Investment experience	4,806	(8,454)
Management action and changes in assumptions	(9)	(13)
Impact of foreign exchange rate changes	(1,332)	6,222
Balance, end of year	\$ 88,919	\$ 94,810

All investment contract liabilities are measured at FVTPL.

17. Segregated Funds and Other Structured Entities

The Company offers segregated fund products in Canada, the U.S. and Europe that are referred to as segregated funds, separate accounts and unit-linked funds in the respective region. These funds are contracts issued by insurers to segregated fund policyholders where the benefit is directly linked to the performance of the investments, the risks or rewards of the fair value movements and net investment income is realized by the segregated fund policyholders. The segregated fund policyholders are required to select segregated funds that hold a range of underlying investments. While the Company has legal title to the investments, there is a contractual obligation to pass along the investment results to the segregated fund policyholder and the Company segregates these investments from those of the Company.

In Canada and the U.S., the segregated fund and separate account assets are legally separated from the general assets of the Company under the terms of the policyholder agreement and cannot be used to settle obligations of the Company. In Europe, the assets of the funds are functionally and constructively segregated from those of the Company. As a result of the legal and constructive arrangements of these funds, the assets of these funds are presented on the Consolidated Balance Sheets as investments on account of segregated fund policyholders and the associated liabilities as investment contracts on account of segregated fund policyholders and insurance contracts on account of segregated fund policyholders.

In circumstances where the segregated funds are invested in structured entities and are deemed to control the entity, the Company has presented the non-controlling ownership interest within the segregated funds for the risk of policyholders as equal and offsetting amounts in the assets and liabilities. The amounts presented within are \$6,070 at December 31, 2023 (\$6,388 at December 31, 2022).

Within the Consolidated Statements of Earnings, all segregated fund policyholders' income, including fair value changes and net investment income, is credited to the segregated fund policyholders and reflected in the assets and liabilities on account of segregated fund policyholders within the Consolidated Balance Sheets. These revenues and expenses are presented in the Consolidated Statements of Earnings where the contracts with the segregated fund policyholders are classified as insurance contracts.

Segregated Funds Guarantee Exposure

The Company offers retail segregated fund products, unitized with profits (UWP) products and variable annuity products that provide for certain guarantees that are tied to the market values of the investment funds. While these products are similar to mutual funds, there is a key difference from mutual funds as the segregated funds have certain guarantee features that protect the segregated fund policyholder from market declines in the underlying investments. These guarantees are the Company's primary exposure on these funds. The Company accounts for these guarantees within insurance and investment contract liabilities within the consolidated financial statements. In addition to the Company's exposure on the guarantees, the fees earned by the Company on these products are impacted by the market value of these funds.

In Canada, the Company offers retail segregated fund products through Canada Life. These products provide guaranteed minimum death benefits (GMDB) and guaranteed minimum accumulation on maturity benefits.

In the U.S., the Company has a mix of open and closed blocks of group variable annuities with guaranteed minimum withdrawal benefits (GMWB) and a closed block of group standalone GMDB products which mainly provide return of premium on death. A block of GMWB policies was acquired from Prudential on April 1, 2022.

In Europe, the Company offers UWP products in Germany and unit-linked products with investment guarantees in Ireland. These products are similar to segregated fund products but include minimum credited interest rates and pooling of policyholders' funds.

Notes to the Consolidated Financial Statements

The Company also offers a GMWB product in the U.S., and Germany, and previously offered a GMWB product in Canada and Ireland. Certain GMWB products offered by the Company offer levels of death and maturity guarantees. At December 31, 2023, the amount of GMWB product in-force in Canada, the U.S., Ireland and Germany was \$7,343 (\$7,033 at December 31, 2022).

The following presents further details of the investments, determined in accordance with the relevant statutory reporting requirements of each region of the Company's operations, on account of segregated fund policyholders:

(a) Investments on Account of Segregated Fund Policyholders

	2023	2022 ¹
Cash and cash equivalents	\$ 15,024	\$ 14,562
Bonds	72,111	69,371
Mortgage loans	2,022	2,159
Stocks and units in unit trusts	130,415	117,863
Mutual funds	188,549	168,459
Investment properties	12,071	13,035
	420,192	385,449
Accrued income	832	692
Other liabilities	(4,138)	(4,647)
Non-controlling mutual funds interest	6,070	6,388
Total ²	\$ 422,956	\$ 387,882

¹ The Company has adjusted certain comparative figures to conform to the current year's presentation. These adjustments had no impact on the equity or net earnings of the Company.

² At December 31, 2023, \$64,097 of investments on account of segregated fund policyholders are reinsured by the Company on a modified coinsurance basis (\$66,283 at December 31, 2022). Included in this amount are \$72 of cash and cash equivalents, \$11,133 of bonds, \$15 of stocks and units in unit trusts, \$52,816 of mutual funds, \$89 of accrued income and \$(28) of other liabilities.

(b) Insurance and Investment Contracts on Account of Segregated Fund Policyholders

	2023	2022
Insurance contracts on account of segregated fund policyholders	\$ 60,302	\$ 57,841
Investment contracts on account of segregated fund policyholders	362,654	330,041
	\$ 422,956	\$ 387,882

(c) Insurance Contracts on Account of Segregated Fund Policyholders - Effect on Measurement Components of Contracts Initially Recognized in the Year

Segregated funds

	2023		
	Profitable contracts issued	Onerous contracts issued	Total
Insurance acquisition cash flows	\$ —	\$ —	\$ —
Claims and other insurance service expenses payable	3,367	—	3,367
Estimates of present value of cash outflows	3,367	—	3,367
Estimates of present value of cash inflows	(3,367)	—	(3,367)
Risk adjustment for non-financial risk	—	—	—
Total losses (gains) recognized on initial recognition	\$ —	\$ —	\$ —

Segregated funds

	2022		
	Profitable contracts issued	Onerous contracts issued	Total
Insurance acquisition cash flows	\$ —	\$ —	\$ —
Claims and other insurance service expenses payable	4,275	—	4,275
Estimates of present value of cash outflows	4,275	—	4,275
Estimates of present value of cash inflows	(4,275)	—	(4,275)
Risk adjustment for non-financial risk	—	—	—
Total losses (gains) recognized on initial recognition	\$ —	\$ —	\$ —

(d) Insurance and Investment Contracts on Account of Segregated Funds Policyholders

	2023	2022 ¹
Balance, beginning of year	\$ 387,882	\$ 357,419
Additions (deductions):		
Policyholder deposits	51,236	40,618
Net investment income	7,333	8,019
Net realized capital gains on investments	6,430	1,082
Net unrealized capital gains (losses) on investments	33,660	(62,823)
Unrealized gains (losses) due to changes in foreign exchange rates	(1,033)	9,487
Policyholder withdrawals	(59,686)	(46,859)
Portfolio transfer (note 4) / business acquisition	(2,662)	77,700
Change in segregated fund investment in general fund	54	64
Change in general fund investment in segregated fund	14	(14)
Net transfer from (to) general fund	46	(74)
Non-controlling mutual funds interest	(318)	3,263
Total	35,074	30,463
Balance, end of year	\$ 422,956	\$ 387,882

¹ The Company has adjusted certain comparative figures to conform to the current year's presentation. These adjustments had no impact on the equity or net earnings of the Company.

(e) Investments on Account of Segregated Fund Policyholders by Fair Value Hierarchy Level

	2023			
	Level 1	Level 2	Level 3	Total
Investments on account of segregated fund policyholders ¹	\$ 299,451	\$ 113,199	\$ 13,792	\$ 426,442
Investments on account of segregated fund policyholders ^{1,2}	\$ 270,892	\$ 106,720	\$ 14,455	\$ 392,067

¹ Excludes other liabilities, net of other assets, of \$3,486.

¹ Excludes other liabilities, net of other assets, of \$4,185.

² The Company has adjusted certain comparative figures to conform to the current year's presentation. These adjustments had no impact on the equity or net earnings of the Company.

During 2023, certain foreign stock holdings valued at \$56 have been transferred from Level 1 to Level 2 (\$2,301 were transferred from Level 2 to Level 1 at December 31, 2022) primarily based on the Company's change in use of inputs in addition to quoted prices in active markets for certain foreign stock holdings. Level 2 assets include those assets where fair value is not available from normal market pricing sources, where inputs are utilized in addition to quoted prices in active markets and where the Company does not have access to the underlying asset details within an investment fund.

As at December 31, 2023, \$3,912 (\$3,928 at December 31, 2022) of the segregated funds were invested in funds managed by related parties IG Wealth Management and Mackenzie Investments, members of the Power Corporation group of companies (note 28).

The following presents additional information about the Company's investments on account of segregated fund policyholders for which the Company has utilized Level 3 inputs to determine fair value:

	2023	2022
Balance, beginning of year	\$ 14,455	\$ 13,822
Total gains (losses) included in segregated fund investment income	(1,073)	(310)
Purchases	795	1,011
Sales	(445)	(366)
Transfers into Level 3	350	343
Transfers out of Level 3	(290)	(45)
Balance, end of year	\$ 13,792	\$ 14,455

Notes to the Consolidated Financial Statements

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

In addition to the segregated funds, the Company has interests in a number of structured unconsolidated entities including mutual funds, open-ended investment companies, and unit trusts. These entities are created as investment strategies for its unit-holders based on the directive of each individual fund.

Some of these funds are sub-advised by related parties of the Company, who are paid sub-advisory fees at normal market rates for their services.

The Company earns management fees related to managing the segregated fund products. Management fees can be variable due to performance of factors – such as markets or industries – in which the fund invests. Fee income derived in connection with the management of investment funds generally increases or decreases in direct relationship with changes of assets under management which is affected by prevailing market conditions, and the inflow and outflow of client assets.

Factors that could cause assets under management and fees to decrease include declines in equity markets, changes in fixed income markets, changes in interest rates and defaults, redemptions and other withdrawals, political and other economic risks, changing investment trends and relative investment performance. The risk is that fees may vary but expenses and recovery of initial expenses are relatively fixed, and market conditions may cause a shift in asset mix potentially resulting in a change in revenue.

During 2023, fee and other income earned by the Company resulting from the Company's interests in segregated funds and other structured entities was \$4,020 (\$3,911 during 2022).

Included within other assets (note 11) at December 31, 2023 is \$2,878 (\$2,777 at December 31, 2022) of investments by the Company in bonds and stocks of Empower and other sponsored funds and \$160 (\$195 at December 31, 2022) of investments in stocks of sponsored unit trusts in Europe.

18. Debentures and Other Debt Instruments

	2023		2022	
	Carrying value	Fair value	Carrying value	Fair value
Short-term				
Commercial paper and other short-term debt instruments with interest rates 5.729% (4.628% at December 31, 2022), unsecured	\$ 132	\$ 132	\$ 135	\$ 135
Revolving credit facility with interest based on Adjusted Term SOFR (U.S. \$45; U.S. \$50 at December 31, 2022), unsecured	60	60	67	67
Non-revolving credit facility with interest based on Adjusted Term SOFR (U.S. \$0; U.S. \$500 at December 31, 2022), unsecured	—	—	675	675
Total short-term	192	192	877	877
Capital:				
Long-term				
Lifeco				
6.74% Debentures due November 24, 2031, unsecured	196	229	196	223
6.67% Debentures due March 21, 2033, unsecured	395	461	395	447
5.998% Debentures due November 16, 2039, unsecured	343	396	343	372
4.70% Senior bonds due November 16, 2029, unsecured, (€500) ¹	726	784	721	744
3.337% Debentures due February 28, 2028, unsecured	499	483	498	467
2.981% Debentures due July 8, 2050, unsecured	494	388	494	342
2.50% Senior bonds due April 18, 2023, unsecured, (€500) ¹	—	—	725	724
2.379% Debentures due May 14, 2030, unsecured	598	540	597	507
1.75% Senior bonds due December 7, 2026, unsecured, (€500) ¹	728	703	722	665
	3,979	3,984	4,691	4,491
Canada Life				
6.40% Subordinated debentures due December 11, 2028, unsecured	100	109	100	108
Canada Life Capital Trust (CLCT)				
7.529% due June 30, 2052, unsecured, face value \$150	156	179	157	177
Great-West Lifeco Finance 2018, LP				
4.581% Senior notes due May 17, 2048, unsecured, (U.S. \$500)	659	597	669	555
4.047% Senior notes due May 17, 2028, unsecured, (U.S. \$300)	398	388	403	380
	1,057	985	1,072	935
Great-West Lifeco Finance (Delaware) LP				
4.15% Senior notes due June 3, 2047, unsecured, (U.S. \$700)	917	787	930	729
Great-West Lifeco U.S. Finance 2020, LP				
0.904% Senior notes due August 12, 2025, unsecured, (U.S. \$500)	663	621	672	600
Empower Finance 2020, LP				
3.075% Senior notes due September 17, 2051, unsecured, (U.S. \$700)	922	643	935	588
1.776% Senior notes due March 17, 2031, unsecured, (U.S. \$400)	530	429	537	406
1.357% Senior notes due September 17, 2027, unsecured, (U.S. \$400)	530	475	538	451
	1,982	1,547	2,010	1,445
Total long-term	8,854	8,212	9,632	8,485
Total	\$ 9,046	\$ 8,404	\$ 10,509	\$ 9,362

¹ Designated as hedges of the net investment in foreign operations.

On April 18, 2023, the Company repaid the principal amount of its maturing 2.50% €500 senior bonds, together with accrued interest.

Great-West Lifeco U.S. LLC, a subsidiary of the Company, made payments on its non-revolving credit facility of U.S. \$150 on March 31, 2023, U.S. \$150 on June 30, 2023, U.S. \$100 on September 29, 2023 and U.S. \$100 on December 29, 2023. The remaining drawn balance was nil as at December 31, 2023.

Capital Trust Securities

CLCT, a trust established by Canada Life, had issued \$150 of Canada Life Capital Securities - Series B (CLiCS - Series B), the proceeds of which were used by CLCT to purchase Canada Life senior debentures in the amount of \$150.

Distributions and interest on the capital trust securities are classified as financing costs in the Consolidated Statements of Earnings (note 19). The fair value for capital trust securities is determined by the bid-ask price. Refer to note 7 for risk management.

Subject to regulatory approval, CLCT may redeem the CLiCS - Series B, in whole or in part, at any time.

19. Financing Costs

Financing costs consist of the following:

	2023	2022
Operating charges:		
Interest on operating lines and short-term debt instruments	\$ 30	\$ 24
Financial charges:		
Interest on long-term debentures and other debt instruments	304	280
Interest on limited recourse capital notes	54	54
Interest on capital trust securities	11	11
Other	27	24
	<u>396</u>	<u>369</u>
Total	<u>\$ 426</u>	<u>\$ 393</u>

20. Other Liabilities

	2023	2022
Pension and other post-employment benefits (note 26)	\$ 581	\$ (Restated) 563
Lease liabilities	361	507
Bank overdraft	243	274
Deferred income reserves	256	293
Other	8,146	7,276
Total	<u>\$ 9,587</u>	<u>\$ 8,913</u>

Total other liabilities of \$8,389 (\$6,755 at December 31, 2022) are expected to be derecognized within 12 months from the reporting date. This amount excludes deferred income reserves, the changes in which are noted below.

Deferred Income Reserves

	2023	2022
Balance, beginning of year	\$ 293	\$ 314
Additions	54	63
Amortization	(62)	(63)
Changes in foreign exchange	6	(7)
Disposals	(35)	(14)
Balance, end of year	<u>\$ 256</u>	<u>\$ 293</u>

Lease Liabilities

	2023		
	Property	Equipment	Total
Balance, beginning of year	\$ 503	\$ 4	\$ 507
Transfer to liabilities held for sale	(157)	—	(157)
Additions	96	1	97
Modifications	(31)	—	(31)
Lease payments	(58)	(2)	(60)
Changes in foreign exchange rates	(6)	—	(6)
Interest	11	—	11
Balance, end of year	<u>\$ 358</u>	<u>\$ 3</u>	<u>\$ 361</u>

Notes to the Consolidated Financial Statements

	2022		
	Property	Equipment	Total
Balance, beginning of year	\$ 517	\$ 5	\$ 522
Additions	40	2	42
Modifications	(2)	—	(2)
Lease payments	(86)	(3)	(89)
Changes in foreign exchange rates	15	—	15
Interest	19	—	19
Balance, end of year	<u>\$ 503</u>	<u>\$ 4</u>	<u>\$ 507</u>

The following table presents the contractual undiscounted cash flows for lease obligations:

	Total undiscounted lease obligations						
	1 year or less	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
2023	\$ 61	\$ 51	\$ 49	\$ 47	\$ 40	\$ 175	\$ 423
2022	79	72	62	56	55	310	634

21. Non-Controlling Interests

The Company has a controlling equity interest in Canada Life, Empower, and Putnam at December 31, 2023 and December 31, 2022.

Non-controlling interests attributable to participating account surplus is the proportion of the equity attributable to the participating account of the Company's subsidiaries.

Non-controlling interests in subsidiaries also include non-controlling interests for the issued and outstanding shares of Putnam and PanAgora held by employees of the respective companies, as well as through a Canada Life subsidiary's controlling interest in certain Canadian advisor businesses.

(a) The Non-Controlling Interests Recorded in the Consolidated Statements of Earnings and the Other Comprehensive Income are as Follows:

	2023	2022
Net earnings attributable to participating account		
Canada Life	\$ 24	\$ (91)
Empower	(1)	—
Net earnings (loss) - participating account	23	(91)
Non-controlling interests in subsidiaries	—	3
Total	\$ 23	\$ (88)

The Company paid \$1,818 of participating policyholder dividends for the year ended December 31, 2023 (\$1,627 for the year ended December 31, 2022).

The non-controlling interests recorded in other comprehensive income (loss) for the year ended December 31, 2023 was \$87 (\$153) for the year ended December 31, 2022).

(b) The Carrying Value of Non-Controlling Interests Consists of the Following:

	2023	2022
Participating account surplus in subsidiaries:		
Canada Life	\$ 2,844	\$ 2,733
Empower	3	1
Total	\$ 2,847	\$ 2,734
Non-controlling interests in subsidiaries	\$ 168	\$ 152

22. Share Capital

(a) Limited Recourse Capital Notes

Limited recourse capital notes	Earliest redemption date	Interest rate	2023		2022	
			Carrying value	Fair value	Carrying value	Fair value
Series 1	November 30, 2026	3.60 %	\$ 1,500	\$ 1,155	\$ 1,500	\$ 1,125

On August 16, 2021, the Company issued \$1,500 aggregate principal amount 3.60% Limited Recourse Capital Notes Series 1 (Subordinated Indebtedness) at par, maturing on December 31, 2081 (LRCN Series 1). The LRCN Series 1 bear interest at a fixed rate of 3.60% per annum payable semi-annually, up to but excluding December 31, 2026. On December 31, 2026 and every five years thereafter until and including December 31, 2076, the interest rate on the LRCN Series 1 will be reset at an interest rate equal to the five-year Government of Canada Yield, plus 2.641%. Commencing November 30, 2026, the Company will have the option to redeem the LRCN Series 1 every five years during the period from November 30 to December 31, in whole or in part at par, together in each case with accrued and unpaid interest.

Non-payment of interest or principal when due on the LRCN Series 1 will result in a recourse event, with the noteholders' sole remedy being receipt of their proportionate share of Non-Cumulative 5-Year Rate Reset First Preferred Shares, Series U (Series U Preferred Shares) held in a newly formed consolidated trust (Limited Recourse Trust). All claims of the holders of LRCN Series 1 against the Company will be extinguished upon receipt of the corresponding trust assets. The Series U Preferred Shares are eliminated on the Company's Consolidated Balance Sheets while being held within the Limited Recourse Trust.

(b) Preferred Shares

Authorized

Unlimited First Preferred Shares, Class A Preferred Shares and Second Preferred Shares

Unlimited Common Shares

Issued and outstanding and fully paid

	2023		2022	
	Number	Carrying value	Number	Carrying value
First Preferred Shares				
Series G, 5.20% Non-Cumulative	12,000,000	\$ 300	12,000,000	\$ 300
Series H, 4.85% Non-Cumulative	12,000,000	300	12,000,000	300
Series I, 4.50% Non-Cumulative	12,000,000	300	12,000,000	300
Series L, 5.65% Non-Cumulative	6,800,000	170	6,800,000	170
Series M, 5.80% Non-Cumulative	6,000,000	150	6,000,000	150
Series N, 1.749% Non-Cumulative Rate Reset	10,000,000	250	10,000,000	250
Series P, 5.40% Non-Cumulative	10,000,000	250	10,000,000	250
Series Q, 5.15% Non-Cumulative	8,000,000	200	8,000,000	200
Series R, 4.80% Non-Cumulative	8,000,000	200	8,000,000	200
Series S, 5.25% Non-Cumulative	8,000,000	200	8,000,000	200
Series T, 5.15% Non-Cumulative	8,000,000	200	8,000,000	200
Series Y, 4.50% Non-Cumulative	8,000,000	200	8,000,000	200
Total	108,800,000	\$ 2,720	108,800,000	\$ 2,720
Common shares				
Balance, beginning of year	931,853,110	\$ 5,791	930,620,338	\$ 5,748
Issued in business acquisition	2,278,830	89	—	—
Shares exercised and issued under share-based payment plans	4,296,047	158	1,232,772	43
Shares purchased and cancelled under normal course issuer bid	(6,000,000)	(233)	—	—
Excess of redemption proceeds over stated capital per normal course issuer bid	—	195	—	—
Balance, end of year	932,427,987	\$ 6,000	931,853,110	\$ 5,791

The Series G, 5.20% Non-Cumulative First Preferred Shares are currently redeemable at the option of the Company for \$25.00 per share, together with all declared and unpaid dividends up to but excluding the date of redemption.

The Series H, 4.85% Non-Cumulative First Preferred Shares are currently redeemable at the option of the Company for \$25.00 per share, together with all declared and unpaid dividends up to but excluding the date of redemption.

Notes to the Consolidated Financial Statements

The Series I, 4.50% Non-Cumulative First Preferred Shares are currently redeemable at the option of the Company for \$25.00 per share, together with all declared and unpaid dividends up to but excluding the date of redemption.

The Series L, 5.65% Non-Cumulative First Preferred Shares are currently redeemable at the option of the Company for \$25.00 per share, together with all declared and unpaid dividends up to but excluding the date of redemption.

The Series M, 5.80% Non-Cumulative First Preferred Shares are currently redeemable at the option of the Company for \$25.00 per share, together with all declared and unpaid dividends up to but excluding the date of redemption.

The Series N, Non-Cumulative 5-Year Rate Reset First Preferred Shares carry an annual fixed non-cumulative dividend rate of 1.749% up to but excluding December 31, 2025 and are redeemable at the option of the Company on December 31, 2025 and on December 31 every five years thereafter for \$25.00 per share plus all declared and unpaid dividends up to but excluding the date of redemption. Subject to the Company's right of redemption and certain other restrictions on conversion described in the Series N share conditions, each Series N share is convertible into one Series O, Non-Cumulative Floating Rate First Preferred Share at the option of the holders on December 31, 2025 and on December 31 every five years thereafter.

The Series P, 5.40% Non-Cumulative First Preferred Shares are currently redeemable at the option of the Company for \$25.00 per share, together with all declared and unpaid dividends up to but excluding the date of redemption.

The Series Q, 5.15% Non-Cumulative First Preferred Shares are currently redeemable at the option of the Company for \$25.00 per share, together with all declared and unpaid dividends up to but excluding the date of redemption.

The Series R, 4.80% Non-Cumulative First Preferred Shares are currently redeemable at the option of the Company for \$25.00 per share, together with all declared and unpaid dividends up to but excluding the date of redemption.

The Series S, 5.25% Non-Cumulative First Preferred Shares are redeemable at the option of the Company for \$25.00 per share, together with all declared and unpaid dividends up to but excluding the date of redemption.

The Series T, 5.15% Non-Cumulative First Preferred Shares are redeemable at the option of the Company for \$25.00 per share plus a premium if redeemed prior to June 30, 2026, together with all declared and unpaid dividends up to but excluding the date of redemption.

The Series Y, 4.50% Non-Cumulative First Preferred Shares are redeemable at the option of the Company on or after December 31, 2026 for \$25.00 per share plus a premium if redeemed prior to December 31, 2030, together with all declared and unpaid dividends up to but excluding the date of redemption.

(c) Common Shares

Normal Course Issuer Bid

The Company renewed its normal course issuer bid (NCIB) effective January 27, 2023 for one year to purchase and cancel up to 20,000,000 of its common shares at market prices in order to mitigate the dilutive effect of stock options granted under the Company's Stock Option Plan and for other capital management purposes. During the year ended December 31, 2023, the Company repurchased and subsequently cancelled 6,000,000 common shares under the current NCIB at a cost of \$233 (nil for the year ended December 31, 2022, under the previous NCIB). The Company's share capital was reduced by the average carrying value of the shares repurchased for cancellation. The excess paid over the average carrying value was \$195 and was recognized as a reduction to accumulated surplus for the year ended December 31, 2023 (nil for the year ended December 31, 2022, under the previous NCIB).

On January 25, 2024, the Company announced a new NCIB commencing January 29, 2024 and terminating January 28, 2025 to purchase for cancellation up to but not more than 20,000,000 of its common shares at market prices.

23. Earnings Per Common Share

The following provides the reconciliation between basic and diluted earnings per common share:

	2023	2022 (Restated)
Earnings		
Net earnings from continuing operations before preferred share dividends	\$ 2,992	\$ 3,758
Preferred share dividends	(130)	(130)
Net earnings from continuing operations	\$ 2,862	\$ 3,628
Net earnings (loss) from discontinued operations	(124)	(32)
Net earnings - common shareholders	\$ 2,738	\$ 3,596
Number of common shares		
Average number of common shares outstanding	931,645,747	931,682,589
Add: Potential exercise of outstanding stock options	1,889,104	598,494
Average number of common shares outstanding - diluted basis	933,534,851	932,281,083
Basic earnings per common share	\$ 2.94	\$ 3.86
Diluted earnings per common share	\$ 2.93	\$ 3.86
Basic earnings per common share from continuing operations	\$ 3.07	\$ 3.89
Diluted earnings per common share from continuing operations	\$ 3.07	\$ 3.89
Dividends per common share	\$ 2.08	\$ 1.96

24. Capital Management

(a) Policies and Objectives

Managing capital is the continual process of establishing and maintaining the quantity and quality of capital appropriate for the Company and ensuring capital is deployed in a manner consistent with the expectations of the Company's stakeholders. For these purposes, the Board considers the key stakeholders to be the Company's shareholders, policyholders and holders of subordinated liabilities in addition to the relevant regulators in the various jurisdictions where the Company and its subsidiaries operate.

The Company manages its capital on both a consolidated basis as well as at the individual operating subsidiary level. The primary objectives of the Company's capital management strategy are:

- To maintain the capitalization of its regulated operating subsidiaries at a level that will exceed the relevant minimum regulatory capital requirements in the jurisdictions in which they operate;
- To maintain strong credit and financial strength ratings of the Company ensuring stable access to capital markets; and
- To provide an efficient capital structure to maximize shareholders' value in the context of the Company's operational risks and strategic plans.

The target level of capitalization for the Company and its subsidiaries is assessed by considering various factors such as the probability of falling below the minimum regulatory capital requirements in the relevant operating jurisdiction, the views expressed by various credit rating agencies that provide financial strength and other ratings to the Company, and the desire to hold sufficient capital to be able to honour all policyholder and other obligations of the Company with a high degree of confidence.

The Company has established policies and procedures designed to identify, measure and report all material risks. Management is responsible for establishing capital management procedures for implementing and monitoring the capital plan.

The capital planning process is the responsibility of the Company's Chief Financial Officer. The capital plan is approved by the Company's Board of Directors on an annual basis. The Board of Directors reviews and approves all material capital transactions undertaken by management.

(b) Regulatory Capital

In Canada, OSFI has established a regulatory capital adequacy measurement for life insurance companies incorporated under the Insurance Companies Act (Canada) and their subsidiaries.

Notes to the Consolidated Financial Statements

The Life Insurance Capital Adequacy Test (LICAT) Ratio compares the regulatory capital resources of a company to its required capital, defined by OSFI, as the aggregate of all defined capital requirements. The total capital resources are provided by the sum of Available Capital, Surplus Allowance and Eligible Deposits.

The following provides a summary of the LICAT information and ratio for Canada Life:

	2023
Tier 1 Capital	\$ 18,285
Tier 2 Capital	5,223
Total Available Capital	23,508
Surplus Allowance & Eligible Deposits	5,406
Total Capital Resources	\$ 28,914
Required Capital	\$ 22,525
Total LICAT Ratio (OSFI Supervisory Target = 100%)¹	128 %

¹ Total Ratio (%) = (Total Capital Resources / Required Capital)

For entities based in Europe, the local solvency capital regime is the Solvency II basis. At December 31, 2023 and December 31, 2022, all European regulated entities met the capital and solvency requirements as prescribed under Solvency II.

Empower is subject to the risk-based capital regulatory regime in the U.S. Other foreign operations and foreign subsidiaries of the Company are required to comply with local capital or solvency requirements in their respective jurisdictions. At December 31, 2023 and December 31, 2022, the Company maintained capital levels above the minimum local regulatory requirements in each of its foreign operations.

25. Share-Based Payments

(a) Stock Option Plan

The Company has a stock option plan (the Plan) pursuant to which options to subscribe for common shares of Lifeco may be granted to certain officers and employees of Lifeco and its affiliates. The Company's Human Resources Committee (the Committee) administers the Plan and, subject to the specific provisions of the Plan, fixes the terms and conditions upon which options are granted. The exercise price of each option granted under the Plan is fixed by the Committee, but cannot under any circumstances be less than the weighted average trading price per Lifeco common share on the Toronto Stock Exchange for the five trading days preceding the date of the grant. Options granted prior to January 1, 2019 vest over a period of five years. Options granted on or after January 1, 2019 vest 50% three years after the grant date and 50% four years after the grant date. Options have a maximum exercise period of ten years from the grant date. Termination of employment may, in certain circumstances, result in forfeiture of the options, unless otherwise determined by the Committee. In 2023, the maximum number of Lifeco common shares issuable under the Plan was 72,500,000.

During 2023, 2,957,200 common share options were granted (2,369,100 during 2022). The weighted average fair value of common share options granted during 2023 was \$4.41 per option (\$3.57 in 2022). The fair value of each common share option was estimated using the Black-Scholes option-pricing model with the following weighted average assumptions used for those options granted in 2023: dividend yield 5.65% (5.07% in 2022), expected volatility 18.98% (18.15% in 2022), risk-free interest rate 3.45% (1.60% in 2022), and expected life of eight years (eight in 2022).

The following summarizes the changes in options outstanding and the weighted average exercise price:

	2023		2022	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding, beginning of year	17,093,615	\$ 33.82	16,123,727	\$ 32.92
Granted	2,957,200	36.81	2,369,100	38.68
Exercised	(4,296,047)	32.88	(1,232,772)	31.24
Forfeited/expired	(190,280)	35.62	(166,440)	34.41
Outstanding, end of year	15,564,488	\$ 34.63	17,093,615	\$ 33.82
Options exercisable at end of year	7,267,288	\$ 33.50	8,950,405	\$ 33.73

The weighted average share price at the date of exercise of stock options for the year ended December 31, 2023 was \$39.69 (\$39.35 in 2022).

Compensation expense due to the Plan transactions accounted for as equity-settled share-based payments of \$8 after-tax in 2023 (\$6 after-tax in 2022) has been recognized in the Consolidated Statements of Earnings.

Notes to the Consolidated Financial Statements

The following summarizes information on the ranges of exercise prices including weighted average remaining contractual life at December 31, 2023:

Exercise price ranges	Outstanding			Exercisable			Expiry
	Options	Weighted average remaining contractual life	Weighted average exercise price	Options	Weighted average exercise price		
\$30.28 - \$38.71	653,008	0.65	\$ 33.48	653,008	\$ 33.48		2024
\$34.68 - \$36.87	725,880	1.20	\$ 35.71	725,880	\$ 35.71		2025
\$30.28 - \$36.87	1,243,900	2.17	\$ 34.56	1,243,900	\$ 34.56		2026
\$30.28 - \$36.87	948,100	3.21	\$ 36.22	948,100	\$ 36.22		2027
\$30.28 - \$34.21	1,386,050	4.21	\$ 33.88	1,386,050	\$ 33.88		2028
\$30.28 - \$32.50	1,618,000	5.17	\$ 30.35	1,618,000	\$ 30.35		2029
\$32.22 - \$32.22	1,513,650	6.16	\$ 32.22	692,350	\$ 32.22		2030
\$32.10 - \$38.75	2,306,100	7.16	\$ 32.30	—	\$ —		2031
\$31.59 - \$38.71	2,272,000	8.16	\$ 38.68	—	\$ —		2032
\$36.69 - \$38.87	2,897,800	9.16	\$ 36.82	—	\$ —		2033

(b) Deferred Share Unit Plans

To promote greater alignment of interests between the Directors and Lifeco's shareholders, the Company and certain of its subsidiaries have mandatory DSU Plans and/or voluntary DSU Plans (the "Mandatory DSU Plans" and the "Voluntary DSU Plans" respectively) in which the Directors of the Company participate. Under the Mandatory DSU Plans, each Director who is a resident of Canada or the United States must receive 50% of their annual Board retainer in the form of Deferred Share Units (DSUs). Under the Voluntary DSU Plans, each Director may elect to receive the balance of their annual Board retainer and Board Committee fees entirely in the form of DSUs, entirely in cash, or equally in cash and DSUs. In both cases, the number of DSUs granted is determined by dividing the amount of remuneration payable to the Director by the weighted average trading price per Lifeco common share on the Toronto Stock Exchange (TSX) for the last five trading days of the preceding fiscal quarter. Directors receive additional DSUs for dividends payable on the Company's common shares based on the value of a DSU at the dividend payment date. DSUs are redeemable when an individual ceases to be a Director, or as applicable, an officer or employee of the Company or any of its affiliates by a lump sum cash payment, based on the weighted average trading price per Lifeco common share on the TSX for the last five trading days preceding the date of redemption. In 2023, \$7 in Directors' fees were used to acquire DSUs (\$6 in 2022). At December 31, 2023, the carrying value of the DSU liability is \$101 (\$66 in 2022) recorded within other liabilities.

Certain employees of the Company are entitled to receive DSUs. Under these DSU Plans, certain employees may elect to receive DSUs as settlement of their annual incentive plan or as settlement of PSUs issued under the Company's PSU Plan. In both cases these employees are granted DSUs equivalent to the Company's common shares. Employees receive additional DSUs in respect of dividends payable on the common shares based on the value of the DSUs at the time. DSUs are redeemable when an individual ceases to be an officer or employee of the Company or any of its affiliates, by a lump sum cash payment representing the value of the DSUs at that date. The Company uses the fair-value based method to account for the DSUs granted to employees under the plans. For the year ended December 31, 2023, the Company recognized compensation expense of \$24 (\$2 in 2022) for the DSU Plans recorded in operating and administrative expenses in the Consolidated Statements of Earnings. At December 31, 2023, the carrying value of the DSU liability is \$63 (\$40 in 2022) recorded within other liabilities in the Consolidated Balance Sheets.

(c) Performance Share Unit Plan

Certain employees of the Company are entitled to receive PSUs. Under the PSU Plan, these employees are granted PSUs equivalent to the Company's common shares vesting over a three-year period. Employees receive additional PSUs in respect of dividends payable on the common shares based on the value of a PSU at that time. At the maturity date, employees receive cash representing the value of the PSU at this date. The Company uses the fair-value based method to account for the PSUs granted to employees under the plan. For the year ended December 31, 2023, the Company recognized compensation expense, excluding the impact of hedging, of \$179 (\$74 in 2022) for the PSU Plan recorded in operating and administrative expenses in the Consolidated Statements of Earnings. At December 31, 2023, the carrying value of the PSU liability is \$157 (\$131 in 2022) recorded within other liabilities.

(d) Employee Share Ownership Plan

The Company's Employee Share Ownership Plan (ESOP) is a voluntary plan where eligible employees can contribute up to 5% of their previous year's eligible earnings to purchase common shares of Lifeco. The Company matches 50% of the total employee contributions. The contributions from the Company vest immediately and are expensed. For the year ended December 31, 2023, the Company recognized compensation expense of \$13 (\$13 in 2022) for the ESOP recorded in operating and administrative expenses in the Consolidated Statements of Earnings.

(e) Putnam Investments, LLC Equity Incentive Plan

Putnam sponsors the Putnam Investments, LLC Equity Incentive Plan. Under the terms of the Equity Incentive Plan, Putnam is authorized to grant or sell Class B Shares of Putnam (the Putnam Class B Shares), subject to certain restrictions, and to grant options to purchase Putnam Class B Shares (collectively, the Awards) to certain senior management and key employees of Putnam at fair value at the time of the award. Fair

value is determined under the valuation methodology outlined in the Equity Incentive Plan. Awards vest over a period of up to five years and are specified in the individual's award letter. Holders of Putnam Class B Shares are not entitled to vote other than in respect of certain matters in regards to the Equity Incentive Plan and have no rights to convert their shares into any other securities. The number of Putnam Class B Shares that may be subject to Awards under the Equity Incentive Plan is limited to 16,764,705.

During 2023, Putnam granted 46,000 (3,519,634 in 2022) restricted Class B common shares to certain members of senior management and key employees.

Compensation expense recorded for the year ended December 31, 2023 related to restricted Class B common shares and Class B stock options earned was \$50 (\$49 in 2022) and is recorded in net earnings (loss) from discontinued operations in the Consolidated Statements of Earnings.

(f) PanAgora Management Equity Plan

Certain employees of PanAgora, a subsidiary of Putnam, are eligible to participate in the PanAgora Management Equity Plan under which Class C Shares of PanAgora and options and stock appreciation rights on Class C Shares of PanAgora may be issued. Holders of PanAgora Class C Shares are not entitled to vote and have no rights to convert their shares into any other securities. The number of PanAgora Class C Shares may not exceed 20% of the equity of PanAgora on a fully exercised and converted basis.

Compensation expense recorded for the year ended December 31, 2023 related to restricted Class C Shares and stock appreciation rights was \$14 in 2023 (\$13 in 2022) and is included as a component of operating and administrative expenses in the Consolidated Statements of Earnings.

26. Pension Plans and Other Post-Employment Benefits

Characteristics, Funding and Risk

The Company's subsidiaries maintain contributory and non-contributory defined benefit pension plans for eligible employees and advisors. The Company's subsidiaries also maintain defined contribution pension plans for eligible employees and advisors.

The defined benefit pension plans provide pensions based on length of service and final average pay; however, these plans are closed to new entrants. Many of the defined benefit pension plans also no longer provide future defined benefit accruals. The Company's defined benefit plan exposure is expected to reduce in future years. Where defined benefit pension accruals continue, active plan participants share in the cost by making contributions in respect of current service. Certain pension payments are indexed either on an ad hoc basis or a guaranteed basis. The determination of the defined benefit obligation reflects pension benefits in accordance with the terms of the plans. Assets supporting the funded pension plans are held in separate trustee pension funds. Obligations for the wholly unfunded plans are included in other liabilities and are supported by general assets.

New hires and active plan participants in defined benefit plans closed to future defined benefit accruals are eligible for defined contribution pension benefits. The defined contribution pension plans provide pension benefits based on accumulated employee and employer contributions. Employer contributions to these plans are a set percentage of employees' annual income and may be subject to certain vesting requirements.

The Company's subsidiaries also provide post-employment health, dental and life insurance benefits to eligible employees, advisors and their dependents. Retirees share in the cost of benefits through deductibles, co-insurance and caps on benefits. These plans are closed to new hires and were previously amended to limit which employees could become eligible to receive benefits. The amount of some of the post-employment benefits other than pensions depends on future cost escalation. These post-employment benefits are not pre-funded and the amount of the obligation for these benefits is included in other liabilities and is supported by general assets.

The Company's subsidiaries have pension and benefit committees or a 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 a subsidiary company's benefit plans require approval from that company's Board of Directors.

The funding policies of the Company's subsidiaries for the funded pension plans require annual contributions equal to or greater than those required by the applicable regulations and plan provisions that govern the funding of the plans. Where funded plans have a net defined benefit pension plan asset, the Company determines if an economic benefit exists in the form of potential reductions in future contributions by the Company, from the payment of expenses from the plan and in the form of surplus refunds, where permitted by applicable regulation and plan provisions.

By their design, the defined benefit plans expose the Company to the typical risks faced by defined benefit plans such as investment performance, changes to the discount rates used to value the obligations, longevity of plan members, and future inflation. Pension and benefit risk is managed by regular monitoring of the plans, applicable regulations and other factors that could impact the expenses and cash flows of the Company.

Notes to the Consolidated Financial Statements

The following reflects the financial position of the contributory and non-contributory defined benefit plans of the Company's subsidiaries:

(a) Plan Assets, Benefit Obligation and Funded Status

	Defined benefit pension plans		Other post-employment benefits	
	2023	2022	2023	2022
Change in fair value of plan assets				
Fair value of plan assets, beginning of year	\$ 6,291	\$ 7,743	\$ —	\$ —
Interest income	306	193	—	—
Actual return over (less than) interest income	177	(1,420)	—	—
Employer contributions	35	109	18	18
Employee contributions	22	21	—	—
Benefits paid	(295)	(324)	(18)	(18)
Settlements	(27)	(10)	—	—
Administrative expenses	(9)	(8)	—	—
Net transfer in	1	—	—	—
Foreign exchange rate changes	16	(13)	—	—
Fair value of plan assets, end of year	\$ 6,517	\$ 6,291	\$ —	\$ —
Change in defined benefit obligation				
Defined benefit obligation, beginning of year	\$ 5,825	\$ 7,961	\$ 256	\$ 367
Current service cost	41	72	2	3
Interest cost	282	197	13	11
Employee contributions	22	21	—	—
Benefits paid	(295)	(324)	(18)	(18)
Plan amendments	—	—	(7)	—
Curtailments and termination benefits	—	(2)	—	—
Settlements	(30)	(10)	—	—
Actuarial loss (gain) on financial assumption changes	400	(2,074)	15	(60)
Actuarial loss (gain) on demographic assumption changes	(15)	(1)	(2)	(33)
Actuarial loss (gain) arising from member experience	31	8	(2)	(16)
Net transfer in	1	—	—	—
Foreign exchange rate changes	13	(23)	(1)	2
Defined benefit obligation, end of year	\$ 6,275	\$ 5,825	\$ 256	\$ 256
Asset (liability) recognized on the Consolidated Balance Sheets				
Funded status of plans - surplus (deficit)	\$ 242	\$ 466	\$ (256)	\$ (256)
Unrecognized amount due to asset ceiling	(202)	(310)	—	—
Asset (liability) recognized on the Consolidated Balance Sheets	\$ 40	\$ 156	\$ (256)	\$ (256)
Recorded in:				
Other assets (note 11)	\$ 365	\$ 463	\$ —	\$ —
Other liabilities (note 20)	(325)	(307)	(256)	(256)
Asset (liability) recognized on the Consolidated Balance Sheets	\$ 40	\$ 156	\$ (256)	\$ (256)
Analysis of defined benefit obligation				
Wholly or partly funded plans	\$ 6,031	\$ 5,586	\$ —	\$ —
Wholly unfunded plans	\$ 244	\$ 239	\$ 256	\$ 256

Notes to the Consolidated Financial Statements

Under IFRIC 14, *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, the Company must assess whether each pension plan's asset has economic benefit to the Company through future contribution reductions, from the payment of expenses from the plan, or surplus refunds; in the event the Company is not entitled to a benefit, a limit or 'asset ceiling' is required on the balance. The following provides a breakdown of the changes in the asset ceiling:

	Defined benefit pension plans	
	2023	2022
Change in asset ceiling		
Asset ceiling, beginning of year	\$ 310	\$ 41
Interest on asset ceiling	14	1
Change in asset ceiling	(123)	251
Foreign exchange rate changes	1	17
Asset ceiling, end of year	\$ 202	\$ 310

(b) Pension and Other Post-Employment Benefits Expense

The total pension and other post-employment benefit expense included in operating expenses and other comprehensive income are as follows:

	All pension plans		Other post-employment benefits	
	2023	2022	2023	2022
Defined benefit current service cost	\$ 63	\$ 93	\$ 2	\$ 3
Defined contribution current service cost	248	184	—	—
Employee contributions	(22)	(21)	—	—
Employer current service cost	289	256	2	3
Administrative expense	9	8	—	—
Plan amendments	—	—	(7)	—
Curtailments	—	(2)	—	—
Settlements	(3)	—	—	—
Net interest cost	(10)	5	13	11
Expense - profit or loss	285	267	8	14
Actuarial (gain) loss recognized	416	(2,067)	11	(109)
Return on assets (greater) less than assumed	(177)	1,420	—	—
Change in the asset ceiling	(123)	251	—	—
Re-measurements - other comprehensive (income) loss	116	(396)	11	(109)
Total (income) expense including re-measurements	\$ 401	\$ (129)	\$ 19	\$ (95)

(c) Asset Allocation by Major Category Weighted by Plan Assets

	Defined benefit pension plans	
	2023	2022
Equity securities	35%	36%
Debt securities	55%	52%
Real estate	7%	8%
Cash and cash equivalents	3%	4%
Total	100%	100%

No plan assets are directly invested in the Company's or related parties' securities. Plan assets include investments in segregated funds and other funds managed by subsidiaries of the Company of \$5,841 at December 31, 2023 and \$5,614 at December 31, 2022, of which \$5,827 (\$5,520 at December 31, 2022) are included on the Consolidated Balance Sheets. Plan assets do not include any property occupied or other assets used by the Company.

(d) Details of Defined Benefit Obligation**(i) Portion of Defined Benefit Obligation Subject to Future Salary Increases**

	Defined benefit pension plans		Other post-employment benefits	
	2023	2022	2023	2022
Benefit obligation without future salary increases	\$ 5,815	\$ 5,393	\$ 256	\$ 256
Effect of assumed future salary increases	460	432	—	—
Defined benefit obligation	\$ 6,275	\$ 5,825	\$ 256	\$ 256

The other post-employment benefits are not subject to future salary increases.

(ii) Portion of Defined Benefit Obligation Without Future Pension Increases

	Defined benefit pension plans		Other post-employment benefits	
	2023	2022	2023	2022
Benefit obligation without future pension increases	\$ 5,546	\$ 5,151	\$ 256	\$ 256
Effect of assumed future pension increases	729	674	—	—
Defined benefit obligation	\$ 6,275	\$ 5,825	\$ 256	\$ 256

The other post-employment benefits are not subject to future pension increases.

(iii) Maturity Profile of Plan Membership

	Defined benefit pension plans		Other post-employment benefits	
	2023	2022	2023	2022
Actives	36 %	37 %	13 %	14 %
Deferred vesteds	16 %	16 %	n/a	n/a
Retirees	48 %	47 %	87 %	86 %
Total	100 %	100 %	100 %	100 %
Weighted average duration of defined benefit obligation	14.4 years	14.5 years	9.6 years	9.9 years

(e) Cash Flow Information

	Pension plans	Other post-employment benefits	Total
Expected employer contributions for 2024:			
Funded (wholly or partly) defined benefit plans	\$ (21)	\$ —	\$ (21)
Unfunded plans	20	19	39
Defined contribution plans	207	—	207
Total	\$ 206	\$ 19	\$ 225

(f) Actuarial Assumptions and Sensitivities**(i) Actuarial Assumptions**

	Defined benefit pension plans		Other post-employment benefits	
	2023	2022	2023	2022
To determine benefit cost:				
Discount rate - past service liabilities	5.0 %	2.6 %	5.3 %	3.1 %
Discount rate - future service liabilities	5.3 %	3.3 %	5.4 %	3.0 %
Rate of compensation increase	3.8 %	3.1 %	—	—
Future pension increases ¹	2.3 %	1.7 %	—	—
To determine defined benefit obligation:				
Discount rate - past service liabilities	4.4 %	5.0 %	4.7 %	5.3 %
Rate of compensation increase	3.4 %	3.8 %	—	—
Future pension increases ¹	2.1 %	2.3 %	—	—
Medical cost trend rates:				
Initial medical cost trend rate			4.7 %	4.8 %
Ultimate medical cost trend rate			4.1 %	4.1 %
Year ultimate trend rate is reached			2039	2039

¹ Represents the weighted average of plans subject to future pension increases.

(ii) Sample Life Expectancies Based on Mortality Assumptions

	Defined benefit pension plans		Other post-employment benefits	
	2023	2022	2023	2022
Sample life expectancies based on mortality assumption:				
Male				
Age 65 in fiscal year	22.8	22.8	22.7	22.8
Age 65 for those age 35 in the fiscal year	24.7	24.6	24.2	24.2
Female				
Age 65 in fiscal year	25.0	24.8	25.1	25.1
Age 65 for those age 35 in the fiscal year	26.8	26.7	26.4	26.5

The period of time over which benefits are assumed to be paid is based on best estimates of future mortality, including allowances for mortality improvements. This estimate is subject to considerable uncertainty, and judgment is required in establishing this assumption. As mortality assumptions are significant in measuring the defined benefit obligation, the mortality assumptions applied by the Company take into consideration such factors as age, gender and geographic location, in addition to an estimation of future improvements in longevity.

The mortality tables are reviewed at least annually, and assumptions are in accordance with accepted actuarial practice. Emerging plan experience is reviewed and considered in establishing the best estimate for future mortality.

The calculation of the defined benefit obligation is sensitive to the mortality assumptions. The effect of a one-year increase in life expectancy would be an increase in the defined benefit obligation of \$174 for the defined benefit pension plans and \$6 for other post-employment benefits.

(iii) Impact of Changes to Assumptions on Defined Benefit Obligation

	1% increase		1% decrease	
	2023	2022	2023	2022
Defined benefit pension plans:				
Impact of a change to the discount rate	\$ (771)	\$ (733)	\$ 972	\$ 926
Impact of a change to the rate of compensation increase	173	173	(157)	(156)
Impact of a change to the rate of inflation	346	340	(313)	(299)
Other post-employment benefits:				
Impact of a change to assumed medical cost trend rates	14	14	(12)	(12)
Impact of a change to the discount rate	(22)	(22)	26	25

To measure the impact of a change in an assumption, all other assumptions were held constant. It is expected that there would be interaction between at least some of the assumptions.

27. Accumulated Other Comprehensive Income

	2023									
	Unrealized foreign exchange gains (losses) on translation of foreign operations	Unrealized gains (losses) on hedges of the net investment in foreign operations	Unrealized gains (losses) on bonds and mortgages at FVOCI	Unrealized gains (losses) on cash flow hedges	Re-measurements on defined benefit pension and other post-employment benefit plans	Revaluation surplus on transfer to investment properties	Total	Non-controlling interest	Shareholders	
Balance, beginning of year (restated)	\$ 1,362	\$ 86	\$ (799)	\$ —	\$ (88)	10	\$ 571	\$ 142	\$ 713	
Impact of initial application of IFRS 9	—	—	3	—	—	—	3	—	3	
Revised balance, beginning of year	1,362	86	(796)	—	(88)	10	574	142	716	
Other comprehensive income (loss)	(19)	(64)	529	39	(127)	—	358	(124)	234	
Income tax	—	(6)	(116)	(11)	36	—	(97)	37	(60)	
	(19)	(70)	413	28	(91)	—	261	(87)	174	
Balance, end of year	\$ 1,343	\$ 16	\$ (383)	\$ 28	\$ (179)	10	\$ 835	\$ 55	\$ 890	

Notes to the Consolidated Financial Statements

	2022 (Restated)									
	Unrealized foreign exchange gains (losses) on translation of foreign operations	Unrealized gains (losses) on hedges of the net investment in foreign operations	Unrealized gains (losses) on bonds and mortgages at FVOCI	Unrealized gains (losses) on cash flow hedges	Re-measurements on defined benefit pension and other post-employment benefit plans	Revaluation surplus on transfer to investment properties	Total	Non-controlling interest	Shareholders	
Balance, beginning of year	\$ 948	\$ (30)	\$ 145	\$ 33	\$ (463)	\$ 10	\$ 643	\$ (11)	\$ 632	
Impact of initial application of IFRS 9 overlay (note 3)	(8)	—	(37)	—	—	—	(45)	—	(45)	
Revised balance, beginning of year	940	(30)	108	33	(463)	10	598	(11)	587	
Other comprehensive income (loss)	422	88	(1,122)	(45)	505	—	(152)	216	64	
Income tax	—	28	215	12	(130)	—	125	(63)	62	
	422	116	(907)	(33)	375	—	(27)	153	126	
Balance, end of year	\$ 1,362	\$ 86	\$ (799)	\$ —	\$ (88)	\$ 10	\$ 571	\$ 142	\$ 713	

28. Related Party Transactions

Power Corporation, which is incorporated and domiciled in Canada, is the Company's parent and has voting control of the Company. The Company is related to other members of the Power Corporation group of companies including IGM, a company in the financial services sector along with its subsidiaries IG Wealth Management and Mackenzie Financial; and Groupe Bruxelles Lambert, a holding company based in Europe with substantial holdings in global industrial and services companies.

(a) Principal Subsidiaries

The consolidated financial statements of the Company include the operations of the following subsidiaries and their subsidiaries:

Company	Incorporated in	Primary business operation	% Held
The Canada Life Assurance Company	Canada	Insurance and wealth management	100.00%
Empower Annuity Insurance Company of America	United States	Financial services	100.00%
Putnam Investments, LLC	United States	Asset management	100.00% ^{1, 2}

¹ Subsequent to December 31, 2023, on January 1, 2024, Lifeco completed the sale of Putnam US Holdings I, LLC (excluding PanAgora Holdings Inc. and its subsidiary PanAgora Asset Management Inc.) to Franklin Resources Inc. (note 4). Putnam US Holdings I, LLC was a subsidiary of Putnam Investments, LLC.

² Lifeco holds 100% of the voting shares and 95.63% of the total outstanding shares.

(b) Transactions With Related Parties Included in the Consolidated Financial Statements

In the normal course of business, subsidiaries of Lifeco enter into various transactions with related companies which include providing insurance benefits and sub-advisory services to other companies within the Power Corporation group of companies. In all cases, transactions were at market terms and conditions.

During the year, Canada Life provided to and received from IGM and its subsidiaries, a member of the Power Corporation group of companies, certain administrative services. Canada Life also provided life insurance, annuity and disability insurance products under a distribution agreement with IGM. All transactions were provided at market terms and conditions.

The Company owns 9,200,448 shares, held through Canada Life, representing a 3.86% ownership interest in IGM. The Company uses the equity method to account for its investment in IGM as it exercises significant influence. In 2023, the Company recognized \$33 for the equity method share of IGM net earnings and received dividends of \$21 from its investment in IGM (note 6).

Segregated funds of the Company were invested in funds managed by IG Wealth Management and Mackenzie Investments. Mackenzie Investments also manages certain of the Company's portfolio investments. The Company also has interests in mutual funds, open-ended investment companies and unit trusts. Some of these funds are sub-advised by related parties of the Company, who are paid sub-advisory fees related to these services. During 2023, the Company and its subsidiaries made additional investments in funds managed by related parties. All transactions were provided at market terms and conditions (note 17).

On November 30, 2023, Canada Life acquired IPC from IGM for purchase consideration of \$585. The transaction was reviewed and approved by the Conduct Review Committee of each of the Company and Canada Life (note 4).

Notes to the Consolidated Financial Statements

The Company held debentures issued by IGM; the interest rates and maturity dates are as follows:

	2023	2022
3.44%, matures January 26, 2027	\$ 19	\$ 19
6.65%, matures December 13, 2027	14	14
7.45%, matures May 9, 2031	11	11
7.00%, matures December 31, 2032	11	11
4.56%, matures January 25, 2047	19	18
4.115%, matures December 9, 2047	9	8
4.174%, matures July 13, 2048	5	4
Total	\$ 88	\$ 85

Power Corporation also controls Sagard, a multi-strategy alternative asset manager, Power Sustainable, a global multi-platform alternative asset manager, and Portage Ventures (Portage), a global fintech venture capital investment strategy. Lifeco has a minority investment in Sagard. Lifeco and Mackenzie Financial Corporation, a wholly-owned subsidiary of IGM, are investors in Northleaf Capital Partners Ltd. (Northleaf), a global private equity, private credit and infrastructure fund manager. The Company and its subsidiaries invest in funds managed by Sagard, Power Sustainable, Portage and Northleaf.

The Company provides asset management, employee benefits and administrative services for employee benefit plans relating to pension and other post-employment benefits for employees of the Company and its subsidiaries. These transactions were provided at market terms and conditions.

There were no material loans or guarantees issued to or from related parties during 2023 or 2022. There were no significant outstanding loans or guarantees with related parties at December 31, 2023 or December 31, 2022. There were no provisions for uncollectible amounts with related parties at December 31, 2023 or December 31, 2022.

(c) Key Management Compensation

Key management personnel constitute those individuals that have the authority and responsibility for planning, directing and controlling the activities of Lifeco, directly or indirectly, including any Director. The individuals that comprise the key management personnel are the Board of Directors as well as certain key management and officers.

The following describes all compensation paid to, awarded to, or earned by each of the key management personnel for services rendered in all capacities to the Company and its subsidiaries:

	2023	2022
Salary	\$ 21	\$ 20
Share-based awards	21	19
Option-based awards	8	7
Annual non-equity incentive plan compensation	29	29
Other	2	—
Total	\$ 81	\$ 75

29. Income Taxes

(a) Components of the Income Tax Expense

(i) Income Tax Recognized in Consolidated Statements of Earnings

	2023	2022
Current income tax		
Total current income tax	\$ 467	\$ 494
Deferred income tax		
Origination and reversal of temporary differences	\$ (422)	\$ (115)
Effect of changes in tax rates or imposition of new taxes	—	(6)
Tax expense (recovery) arising from unrecognized tax losses, tax credits or temporary differences	8	21
Total deferred income tax	\$ (414)	\$ (100)
Total income tax expense	\$ 53	\$ 394

(ii) Income Tax Recognized in Other Comprehensive Income (note 27)

	2023	2022
Current income tax expense (recovery)	\$ 43	\$ (157)
Deferred income tax expense (recovery)	54	32
Total	\$ 97	\$ (125)

(iii) Income Tax Recognized in Consolidated Statements of Changes in Equity

	2023	2022
Current income tax (recovery)	\$ —	\$ (1)
Deferred income tax (recovery)	1	7
Total	\$ 1	\$ 6

(b) The Effective Income Tax Rate Reported in the Consolidated Statements of Earnings Varies From the Combined Canadian Federal and Provincial Income Tax Rate of 28.00% for the Following Items:

	2023		2022	
Earnings before income taxes	\$ 3,068		\$ 4,064	
Combined basic Canadian federal and provincial tax rate	859	28.00 %	1,118	27.50 %
Increase (decrease) in the income tax rate resulting from:				
Non-taxable investment income	(234)	(7.63)	(228)	(5.61)
Operations outside of Canada subject to a lower average foreign tax rate	(532)	(17.34)	(334)	(8.22)
Impact of rate changes on deferred income taxes	—	—	(6)	(0.15)
Other	(40)	(1.30)	(156)	(3.84)
Total income tax expense and effective income tax rate	\$ 53	1.73 %	\$ 394	9.68 %
Total income tax expense and effective income tax rate - common shareholders	\$ 128	4.12 %	\$ 487	11.47 %

(c) Composition and Changes in Net Deferred Income Tax Assets are as Follows:

	2023						
	Insurance and investment contract liabilities	Portfolio investments	Losses carried forward	Intangible assets	Tax credits	Other	Total
Balance, beginning of year	\$ (3,064)	\$ 2,249	\$ 1,619	\$ (786)	\$ 290	\$ 389	\$ 697
Recognized in Consolidated Statements of Earnings	1,098	(712)	(58)	(33)	(53)	172	414
Recognized in Consolidated Statements of Comprehensive Income	—	(71)	—	—	—	17	(54)
Recognized in Consolidated Statements of Changes in Equity	—	—	—	—	—	(1)	(1)
Acquired in business combinations	—	—	4	(12)	1	(3)	(10)
Other and foreign exchange rate changes	(761)	971	(20)	48	(1)	(222)	15
Balance, end of year	\$ (2,727)	\$ 2,437	\$ 1,545	\$ (783)	\$ 237	\$ 352	\$ 1,061

Notes to the Consolidated Financial Statements

	2022						
	Insurance and investment contract liabilities	Portfolio investments	Losses carried forward	Intangible assets	Tax credits	Other	Total
Balance, beginning of year	\$ 752	\$ (1,289)	\$ 1,388	\$ (807)	\$ 324	\$ 282	\$ 650
Recognized in Consolidated Statements of Earnings	(3,658)	3,469	144	(58)	(46)	170	21
Recognized in Consolidated Statements of Comprehensive Income	—	87	—	—	—	(119)	(32)
Recognized in Consolidated Statements of Changes in Equity	—	—	(5)	—	—	(2)	(7)
Acquired in business combinations	(90)	(4)	—	139	—	34	79
Other and foreign exchange rate changes	(68)	(14)	92	(60)	12	24	(14)
Balance, end of year	\$ (3,064)	\$ 2,249	\$ 1,619	\$ (786)	\$ 290	\$ 389	\$ 697

Recorded on Consolidated Balance Sheets:

	2023	2022
Deferred tax assets	\$ 1,848	\$ 1,470
Deferred tax liabilities	(787)	(773)
Total	\$ 1,061	\$ 697

A deferred income tax asset is recognized for deductible temporary differences and unused losses and carryforwards only to the extent that realization of the related income tax benefit through future taxable profits is probable.

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

Management assesses the recoverability of the deferred income tax assets carrying values based on future years' taxable income projections and believes the carrying values of the deferred income tax assets as of December 31, 2023 are recoverable.

At December 31, 2023, the Company has recognized a deferred tax asset of \$1,545 (\$1,619 at December 31, 2022) on tax loss carryforwards totaling \$7,021, of which \$4,522 expire between 2026 and 2043 while \$2,499 have no expiry date. The Company will realize this benefit in future years through a reduction in current income taxes payable.

One U.S. subsidiary has had a history of losses. The subsidiary has a net deferred income tax asset balance of \$499 (U.S. \$376) as at December 31, 2023, comprised principally of net operating losses. Management has concluded that it is probable that the subsidiary and other historically profitable subsidiaries with which it files or intends to file a consolidated U.S. income tax return will generate sufficient taxable income to utilize the unused U.S. losses and deductions.

The Company has not recognized a deferred tax asset of \$154 (\$109 in 2022) on tax loss carryforwards totaling \$592 (\$550 in 2022). Of this amount, \$192 expire between 2024 and 2043 while \$400 have no expiry date. In addition, the Company has not recognized a deferred tax asset of \$11 (\$11 in 2022) on other temporary differences of \$54 (\$55 in 2022) associated with investments in subsidiaries, branches, and associates.

A deferred income tax liability has not been recognized in respect of the temporary differences associated with investments in subsidiaries, branches and associates as the Company is able to control the timing of the reversal of the temporary differences, and it is probable that the temporary differences will not reverse in the foreseeable future.

In December 2021, the OECD published the Pillar Two model rules outlining a structure for a new 15% global minimum tax regime. A number of countries where the Company operates, including Ireland, Germany and the U.K., have enacted legislation, and will be effective for the Company's financial year beginning January 1, 2024. Pillar Two draft legislation in Canada and Barbados has not been substantively enacted but when enacted, is expected to be effective for the Company as of January 1, 2024.

The global minimum tax is very complex in nature and will apply to Lifeco as part of a larger related group of companies. The determination of the minimum tax impact will require significant interpretation of each country's new legislation to determine the ultimate tax liability for the group of companies as a whole, which will then be allocated to individual companies within the group, such as Lifeco. The Company has performed a preliminary assessment of the Company's potential exposure to Pillar Two income taxes for the year ending on December 31, 2024 and has identified potential exposure in Barbados, Ireland and Isle of Man, jurisdictions where the statutory tax rate is below 15%. Based on this preliminary assessment, the Company expects an increase in the effective income tax rate, however, it is not expected to have a material impact on the Company's financial statements.

30. Derivative Financial Instruments and Hedging

In the normal course of managing exposure to fluctuations in interest and foreign exchange rates, and to market risks, the Company is an end-user of various derivative financial instruments. It is the Company's policy to transact in derivatives only with the most creditworthy financial intermediaries. Note 7 discloses the credit quality of the Company's exposure to counterparties. Credit risk equivalent amounts are presented net of eligible collateral received of \$842 as at December 31, 2023 (\$378 at December 31, 2022).

(a) The Following Summarizes the Company's Derivative Portfolio and Related Credit Exposure Using the Following Definitions of Risk as Prescribed by OSFI:

Maximum credit risk	The total replacement cost of all derivative contracts with positive values.
Future credit exposure	The potential future credit exposure is calculated based on a formula prescribed by OSFI. The factors prescribed by OSFI for this calculation are based on derivative type and duration.
Credit risk equivalent	The sum of maximum credit risk and the potential future credit exposure less any eligible collateral held.
Risk weighted equivalent	Represents the credit risk equivalent, weighted according to the creditworthiness of the counterparty, as prescribed by OSFI.

	2023					2022				
	Notional amount	Maximum credit risk	Future credit exposure	Credit risk equivalent	Risk weighted equivalent	Notional amount	Maximum credit risk	Future credit exposure	Credit risk equivalent	Risk weighted equivalent
Interest rate contracts										
Swaps	\$ 6,732	\$ 153	\$ 73	\$ 156	\$ 3	\$ 6,267	\$ 99	\$ 72	\$ 130	\$ 2
Futures - long	—	—	—	—	—	6	—	—	—	—
Futures - short	153	—	—	—	—	169	—	—	—	—
Options purchased	1,995	15	19	26	—	1	—	—	—	—
	8,880	168	92	182	3	6,443	99	72	130	2
Foreign exchange contracts										
Cross-currency swaps	33,150	1,771	2,080	3,213	56	30,522	2,108	1,890	3,687	63
Forward contracts	6,484	73	82	126	1	5,828	35	77	97	1
	39,634	1,844	2,162	3,339	57	36,350	2,143	1,967	3,784	64
Other derivative contracts										
Equity contracts	2,089	206	155	294	1	1,750	55	109	164	1
Futures - long	14	—	—	—	—	12	—	—	—	—
Futures - short	627	1	—	—	—	1,134	13	—	—	—
Other forward contracts	—	—	—	—	—	271	4	—	—	—
Equity options-purchased	—	—	—	—	—	1	—	—	—	—
Equity options-written	—	—	—	—	—	3	—	—	—	—
Credit default swaps	665	—	—	—	—	675	—	—	—	—
	3,395	207	155	294	1	3,846	72	109	164	1
Total	\$ 51,909	\$ 2,219	\$ 2,409	\$ 3,815	\$ 61	\$ 46,639	\$ 2,314	\$ 2,148	\$ 4,078	\$ 67

(b) The Following Provides the Notional Amount, Term to Maturity and Carrying Value of the Company's Derivative Portfolio by Category:

	2023					
	Notional amount				Carrying value	
	1 year or less	1-5 years	Over 5 years	Total	Assets	Liabilities
Derivatives not designated as accounting hedges						
Interest rate contracts						
Swaps	\$ 597	\$ 1,869	\$ 4,248	\$ 6,714	\$ 152	\$ (338)
Futures - long	—	—	—	—	—	—
Futures - short	153	—	—	153	—	—
Options purchased	200	798	997	1,995	15	—
	950	2,667	5,245	8,862	167	(338)
Foreign exchange contracts						
Cross-currency swaps	2,531	9,552	18,704	30,787	1,651	(856)
Forward contracts	3,930	—	—	3,930	45	(14)
	6,461	9,552	18,704	34,717	1,696	(870)
Other derivative contracts						
Equity contracts	504	1,256	—	1,760	100	(1)
Futures - long	14	—	—	14	—	—
Futures - short	627	—	—	627	1	(4)
Other forward contracts	—	—	—	—	—	—
Equity options - purchased	—	—	—	—	—	—
Equity options - written	—	—	—	—	—	—
Credit default swaps	326	166	173	665	—	—
	1,471	1,422	173	3,066	101	(5)
Derivatives designated as accounting hedges						
Fair value hedges						
Foreign currency risk						
Foreign exchange contracts						
Forward contracts	80	—	—	80	1	—
	80	—	—	80	1	—
Cash flow hedges						
Interest rate risk						
Interest rate contracts						
Swaps	—	18	—	18	1	—
Foreign currency risk						
Foreign exchange contracts						
Cross-currency swaps	18	75	—	93	2	—
Equity risk						
Other derivative contracts						
Equity contracts	93	236	—	329	106	—
	111	329	—	440	109	—
Net investment hedges						
Foreign currency risk						
Foreign exchange contracts						
Cross-currency swaps	—	—	2,270	2,270	118	(61)
Forward contracts	1,967	507	—	2,474	27	(14)
	1,967	507	2,270	4,744	145	(75)
Total	\$ 11,040	\$ 14,477	\$ 26,392	\$ 51,909	\$ 2,219	\$ (1,288)

Notes to the Consolidated Financial Statements

	2022					
	Notional amount				Carrying value	
	1 year or less	1-5 years	Over 5 years	Total	Assets	Liabilities
Derivatives not designated as accounting hedges						
Interest rate contracts						
Swaps	\$ 581	\$ 1,341	\$ 4,320	\$ 6,242	\$ 97	\$ (455)
Futures - long	6	—	—	6	—	—
Futures - short	169	—	—	169	—	—
Options purchased	1	—	—	1	—	—
	757	1,341	4,320	6,418	97	(455)
Foreign exchange contracts						
Cross-currency swaps	3,215	7,521	17,416	28,152	1,922	(979)
Forward contracts	3,262	—	—	3,262	14	(80)
	6,477	7,521	17,416	31,414	1,936	(1,059)
Other derivative contracts						
Equity contracts	1,482	—	—	1,482	20	(14)
Futures - long	12	—	—	12	—	—
Futures - short	1,134	—	—	1,134	13	—
Other forward contracts	271	—	—	271	3	—
Equity options - purchased	1	—	—	1	—	—
Equity options - written	3	—	—	3	—	—
Credit default swaps	—	500	175	675	—	—
	2,903	500	175	3,578	36	(14)
Derivatives designated as accounting hedges						
Fair value hedges						
Foreign currency risk						
Foreign exchange contracts						
Forward contracts	83	—	—	83	—	(3)
	83	—	—	83	—	(3)
Cash flow hedges						
Interest rate risk						
Interest rate contracts						
Swaps	—	—	25	25	3	—
Foreign currency risk						
Foreign exchange contracts						
Cross-currency swaps	—	100	—	100	6	—
Equity risk						
Other derivative contracts						
Equity contracts	58	210	—	268	35	(13)
	58	310	25	393	44	(13)
Net investment hedges						
Foreign currency risk						
Foreign exchange contracts						
Cross-currency swaps	—	—	2,270	2,270	179	(45)
Forward contracts	2,027	456	—	2,483	22	(50)
	2,027	456	2,270	4,753	201	(95)
Total	\$ 12,305	\$ 10,128	\$ 24,206	\$ 46,639	\$ 2,314	\$ (1,639)

Futures contracts included in the above are exchange traded contracts; all other contracts are over-the-counter.

(c) The Following Provides Further Details on the Derivatives Designated as Accounting Hedges:*Exchange rates and share prices expressed in dollar terms*

	2023			
	Notional amount			
	1 year or less	1-5 years	Over 5 years	Total
Fair value hedges				
Foreign currency risk				
Foreign exchange contracts				
Forward contracts	\$ 80	\$ —	\$ —	\$ 80
Weighted average USD-CAD exchange rate	1.34	—	—	1.34
Cash flow hedges				
Interest rate risk				
Interest rate contracts				
Swaps	\$ —	\$ 18	\$ —	\$ 18
Weighted average fixed interest rate	— %	5.23 %	— %	5.23 %
Foreign currency risk				
Foreign exchange contracts				
Cross-currency swaps	\$ 18	\$ 75	\$ —	\$ 93
Weighted average USD-AUD exchange rate	—	1.33	—	1.33
Weighted average USD-CAD exchange rate	—	1.26	—	1.26
Weighted average USD-EUR exchange rate	0.92	0.91	—	0.91
Weighted average USD-GBP exchange rate	0.76	0.76	—	0.76
Equity risk				
Other derivative contracts				
Equity contracts	\$ 93	\$ 236	\$ —	\$ 329
Weighted average share price	32.10	37.69	—	35.82
Net investment hedges				
Foreign currency risk				
Foreign exchange contracts				
Cross-currency swaps	\$ —	\$ —	\$ 2,270	\$ 2,270
Weighted average EUR-CAD exchange rate	—	—	1.41	1.41
Weighted average GBP-CAD exchange rate	—	—	1.73	1.73
Forward contracts	\$ 1,967	\$ 507	\$ —	\$ 2,474
Weighted average USD-CAD exchange rate	1.34	—	—	1.34
Weighted average EUR-GBP exchange rate	0.86	0.86	—	0.86

Exchange rates and share prices expressed in dollar terms

	2022			
	Notional amount			
	1 year or less	1-5 years	Over 5 years	Total
Fair value hedges				
Foreign currency risk				
Foreign exchange contracts				
Foreign exchange forward contracts	\$ 83	\$ —	\$ —	\$ 83
Weighted average USD-CAD exchange rate	1.31	—	—	1.31
Cash flow hedges				
Interest rate risk				
Interest rate contracts				
Swaps				
Weighted average fixed interest rate	— %	— %	5.17 %	5.17 %
Foreign currency risk				
Foreign exchange contracts				
Cross-currency swaps				
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				
Weighted average share price	25.04	35.38	—	32.38
Net investment hedges				
Foreign currency risk				
Foreign exchange contracts				
Cross-currency swaps				
Weighted average EUR-CAD exchange rate	—	—	1.41	1.41
Weighted average GBP-CAD exchange rate	—	—	1.73	1.73
Forward contracts				
Weighted average USD-CAD exchange rate	1.33	—	—	1.33
Weighted average EUR-GBP exchange rate	0.88	0.88	—	0.88

(d) The Following Provides Details of the Company's Derivative Portfolio by Type of Instrument:**Interest Rate Contracts**

Interest rate swaps, futures and options are used as part of a portfolio of assets to manage interest rate risk associated with investment activities and insurance and investment contract liabilities. Interest-rate swap agreements require the periodic exchange of payments without the exchange of the notional principal amount on which payments are based. Call options grant the Company the right to enter into a swap with predetermined fixed-rate payments over a predetermined time period on the exercise date. Call options are used to manage the variability in future interest payments due to a change in credited interest rates and the related potential change in cash flows due to surrenders. Call options are also used to hedge minimum rate guarantees.

Foreign Exchange Contracts

Cross-currency swaps are used in combination with other investments to manage foreign currency risk associated with investment activities, and insurance and investment contract liabilities. Cross-currency swaps are also used to hedge the Company's net investment in foreign operations. Under these swaps principal amounts and fixed or floating interest payments may be exchanged in different currencies. The Company also enters into certain foreign exchange forward contracts to hedge certain product liabilities.

Other Derivative Contracts

Equity index swaps, futures and options are used to hedge certain product liabilities. Equity index swaps are also used as substitutes for cash instruments and are used to periodically hedge the market risk associated with certain fee income. Equity put options are used to manage potential credit risk impact of significant declines in certain equity markets.

Equity total return swaps are used to manage exposure to fluctuations in the total return of common shares related to deferred compensation arrangements. Total return swaps require the exchange of net contractual payments periodically or at maturity without the exchange of the notional principal amounts on which the payments are based. These instruments are designated as cash flow hedges.

(e) Hedge Accounting

Fair Value Hedges

The ineffective portion of fair value hedges recognized in the net investment result, which includes foreign exchange contracts, was nil during 2023 and 2022.

Cash Flow Hedges

The ineffective portion of the cash flow hedges, which includes interest rate contracts, foreign exchange contracts, and equity total return swap contracts, was nil during 2023 and 2022, and the anticipated net gains (losses) expected to be reclassified out of accumulated other comprehensive income within the next twelve months is nil. The maximum time frame for which variable cash flows are hedged is 5 years.

Net Investment Hedges

The effects of the Company's net investment hedges on the Consolidated Statements of Earnings and Consolidated Statements of Comprehensive Income are shown in the following table.

	2023				
	Change in fair value of hedged items for ineffectiveness measurement	Change in fair value of hedging instruments for ineffectiveness measurement	Gains (losses) deferred in AOCI	Gains (losses) reclassified from AOCI into total investment result	Ineffectiveness recognized in total investment result
Euro denominated debt	\$ 10	\$ (10)	\$ (10)	\$ —	\$ —
Cross-currency swaps	35	(35)	(35)	—	—
Foreign exchange forward contracts	(17)	17	17	—	—
Total	\$ 28	\$ (28)	\$ (28)	\$ —	\$ —
	2022				
	Change in fair value of hedged items for ineffectiveness measurement	Change in fair value of hedging instruments for ineffectiveness measurement	Gains (losses) deferred in AOCI	Gains (losses) reclassified from AOCI into total investment result	Ineffectiveness recognized in total investment result
Euro denominated debt	\$ 10	\$ (10)	\$ (10)	\$ —	\$ —
Cross-currency swaps	(25)	25	25	—	—
Foreign exchange forward contracts	122	(122)	(122)	—	—
Total	\$ 107	\$ (107)	\$ (107)	\$ —	\$ —

31. Legal Provisions and Contingent Liabilities

The Company and its subsidiaries are from time-to-time subject to legal actions, including arbitrations and class actions. Provisions are established if, in management's judgment, it is probable a payment will be required and the amount of the payment can be reliably estimated. It is inherently difficult to predict the outcome of any of these proceedings with certainty, and it is possible that an adverse resolution could have a material adverse effect on the consolidated financial position of the Company. However, based on information presently known, it is not expected that any of the existing legal actions, either individually or in the aggregate, will have a material adverse effect on the consolidated financial position of the Company. Actual results could differ from management's best estimates.

Subsidiaries of the Company in the United States are defendants in legal actions, including class actions, relating to the costs and features of their retirement and fund products and the conduct of their businesses. Management believes the claims are without merit and will be vigorously defending these actions. Based on the information presently known these actions will not have a material adverse effect on the consolidated financial position of the Company.

32. Commitments

(a) Letters of Credit

Letters of credit are written commitments provided by a bank. The total amount of letter of credit facilities is U.S. \$1,920 of which U.S.\$1,111 were issued as of December 31, 2023.

The Capital and Risk Solutions segment periodically uses letters of credit as collateral under certain reinsurance contracts for on balance sheet policy liabilities.

(b) Investment Commitments

Commitments of investment transactions made in the normal course of operations in accordance with policies and guidelines that are to be disbursed upon fulfillment of certain contract conditions were \$6,411 as at December 31, 2023, with \$6,327 maturing within one year, \$61 maturing within two years, \$15 maturing within three years, \$1 maturing within four years and \$7 maturing within over 5 years.

(c) Pledged Assets

In addition to the assets pledged by the Company disclosed elsewhere in the consolidated financial statements:

- The amount of assets included in the Company's balance sheet which have a security interest by way of pledging is \$1,462 (\$1,467 at December 31, 2022) in respect of reinsurance agreements.
 - In addition, under certain reinsurance contracts, bonds presented in portfolio investments are held in trust and escrow accounts. Assets are placed in these accounts pursuant to the requirements of certain legal and contractual obligations to support contract liabilities assumed.
- The Company has pledged, in the normal course of business, \$72 (\$74 at December 31, 2022) of assets of the Company for the purpose of providing collateral for the counterparty.

33. Segmented Information

The operating segments of the Company are Canada, United States, Europe, Capital and Risk Solutions and Lifeco Corporate. These segments reflect the Company's management structure and internal financial reporting. Each of these segments operates in the financial services industry and the revenues from these segments are derived principally from interests in life insurance, health insurance, retirement and investment services, asset management and reinsurance businesses.

Transactions between operating segments occur at market terms and conditions and have been eliminated upon consolidation.

The Company has a capital allocation model to measure the performance of the operating segments. The impact of the capital allocation model is included in the segmented information presented below.

(a) Consolidated Net Earnings

	2023					
	Canada	United States	Europe	Capital and Risk Solutions	Lifeco Corporate	Total
Segment revenue						
Insurance revenue ¹	\$ 9,378	\$ 240	\$ 6,068	\$ 4,716	\$ —	\$ 20,402
Net investment income ²	3,163	4,053	1,423	198	27	8,864
Changes in fair value on FVTPL assets ²	3,245	2,296	891	74	(17)	6,489
	15,786	6,589	8,382	4,988	10	35,755
Fee and other income ³	1,377	3,706	777	14	—	5,874
	17,163	10,295	9,159	5,002	10	41,629
Other insurance results						
Insurance service expenses	(6,496)	(178)	(5,162)	(3,941)	—	(15,777)
Net income (expenses) from reinsurance contracts	(1,399)	8	(143)	(10)	—	(1,544)
	(7,895)	(170)	(5,305)	(3,951)	—	(17,321)
Other investment results						
Net finance income (expenses) from insurance contracts	(6,271)	(334)	(2,542)	(91)	—	(9,238)
Net finance income (expenses) from reinsurance contracts	19	(24)	222	7	—	224
Changes in investment contract liabilities	(130)	(4,627)	(3)	(46)	—	(4,806)
	(6,382)	(4,985)	(2,323)	(130)	—	(13,820)
Net investment result - insurance contracts on account of segregated fund policyholders						
Net investment income (loss)	3,366	—	1,442	—	—	4,808
Net finance income (expenses) from insurance contracts	(3,366)	—	(1,442)	—	—	(4,808)
	—	—	—	—	—	—
Other income and expenses						
Operating and administrative expenses	(1,465)	(3,758)	(1,063)	(50)	(66)	(6,402)
Amortization of finite life intangible assets	(102)	(204)	(57)	(1)	(2)	(366)
Financing costs	(134)	(239)	(45)	(5)	(3)	(426)
Restructuring and integration expenses	—	(100)	(126)	—	—	(226)
Earnings (loss) before income taxes	1,185	839	240	865	(61)	3,068
Income taxes	188	72	(207)	6	(6)	53
Net earnings (loss) from continuing operations before non-controlling interests	997	767	447	859	(55)	3,015
Attributable to non-controlling interests	17	6	—	—	—	23
Net earnings (loss) from continuing operations before preferred share dividends	980	761	447	859	(55)	2,992
Preferred share dividends	112	—	18	—	—	130
Net earnings (loss) from continuing operations before capital allocation	868	761	429	859	(55)	2,862
Impact of capital allocation	93	8	(45)	(26)	(30)	—
Net earnings (loss) from continuing operations	961	769	384	833	(85)	2,862
Net loss from discontinued operations	—	(124)	—	—	—	(124)
Net earnings (loss) - common shareholders	\$ 961	\$ 645	\$ 384	\$ 833	\$ (85)	\$ 2,738

¹ Included within insurance service result in the Consolidated Statements of Earnings.

² Included within net investment result in the Consolidated Statements of Earnings.

³ Included within other income and expenses in the Consolidated Statements of Earnings.

Notes to the Consolidated Financial Statements

	2022					
	Canada	United States	Europe	Capital and Risk Solutions	Lifeco Corporate	Total
Segment revenue						
Insurance revenue ¹	\$ 9,434	\$ 226	\$ 5,429	\$ 4,543	\$ —	\$ 19,632
Net investment income ²	2,837	3,030	1,536	128	63	7,594
Changes in fair value on FVTPL assets ²	(10,718)	(11,003)	(8,739)	(534)	(6)	(31,000)
	1,553	(7,747)	(1,774)	4,137	57	(3,774)
Fee and other income ³	1,212	3,225	714	7	—	5,158
	2,765	(4,522)	(1,060)	4,144	57	1,384
Other insurance results						
Insurance service expenses	(6,607)	(186)	(4,630)	(3,849)	—	(15,272)
Net income (expenses) from reinsurance contracts	(1,419)	14	(113)	(13)	—	(1,531)
	(8,026)	(172)	(4,743)	(3,862)	—	(16,803)
Other investment results						
Net finance income (expenses) from insurance contracts	8,278	843	9,337	351	—	18,809
Net finance income (expenses) from reinsurance contracts	(102)	(14)	(1,106)	(29)	—	(1,251)
Changes in investment contract liabilities	66	8,240	9	139	—	8,454
	8,242	9,069	8,240	461	—	26,012
Net investment result - insurance contracts on account of segregated fund policyholders						
Net investment income (loss)	(2,519)	—	(1,611)	—	—	(4,130)
Net finance income (expenses) from insurance contracts	2,519	—	1,611	—	—	4,130
	—	—	—	—	—	—
Other income and expenses						
Operating and administrative expenses	(1,223)	(3,362)	(932)	(62)	(25)	(5,604)
Amortization of finite life intangible assets	(116)	(182)	(56)	—	—	(354)
Financing costs	(133)	(228)	(22)	(4)	(6)	(393)
Restructuring and integration expenses	—	(178)	—	—	—	(178)
Earnings (loss) before income taxes	1,509	425	1,427	677	26	4,064
Income taxes	145	(27)	160	109	7	394
Net earnings (loss) from continuing operations before non-controlling interests	1,364	452	1,267	568	19	3,670
Attributable to non-controlling interests	(86)	(4)	2	—	—	(88)
Net earnings (loss) from continuing operations before preferred share dividends	1,450	456	1,265	568	19	3,758
Preferred share dividends	112	—	18	—	—	130
Net earnings (loss) from continuing operations before capital allocation	1,338	456	1,247	568	19	3,628
Impact of capital allocation	93	8	(45)	(26)	(30)	—
Net earnings (loss) from continuing operations	1,431	464	1,202	542	(11)	3,628
Net loss from discontinued operations	—	(32)	—	—	—	(32)
Net earnings (loss) - common shareholders	\$ 1,431	\$ 432	\$ 1,202	\$ 542	\$ (11)	\$ 3,596

¹ Included within insurance service result in the Consolidated Statements of Earnings.

² Included within net investment result in the Consolidated Statements of Earnings.

³ Included within other income and expenses in the Consolidated Statements of Earnings.

The Revenue by Source Currency for Capital and Risk Solutions

	2023	2022
Revenue		
United States	\$ 1,462	\$ 962
United Kingdom	2,052	1,712
Japan	87	(365)
Other	1,401	1,835
Total revenue	\$ 5,002	\$ 4,144

Negative income in the table above is primarily due to unrealized fair value losses through profit or loss on bonds.

(b) Consolidated Total Assets and Liabilities

	2023				
	Canada	United States	Europe	Capital and Risk Solutions	Total
Assets					
Invested assets	\$ 89,382	\$ 86,715	\$ 41,981	\$ 8,732	\$ 226,810
Insurance contract assets	400	291	331	171	1,193
Reinsurance contract held assets	1,243	12,243	3,713	133	17,332
Assets held for sale	—	4,467	—	—	4,467
Goodwill and intangible assets	6,545	6,151	3,037	—	15,733
Other assets	4,964	16,192	3,531	52	24,739
Investments on account of segregated fund policyholders	101,250	179,770	141,936	—	422,956
Total	\$ 203,784	\$ 305,829	\$ 194,529	\$ 9,088	\$ 713,230
Liabilities					
Insurance contract liabilities	\$ 81,455	\$ 18,079	\$ 39,390	\$ 5,464	\$ 144,388
Investment contract liabilities	3,931	83,966	341	681	88,919
Reinsurance contract held liabilities	208	163	250	27	648
Liabilities held for sale	—	2,407	—	—	2,407
Other liabilities	7,153	12,804	3,408	696	24,061
Insurance contracts on account of segregated fund policyholders	32,997	12,892	14,413	—	60,302
Investment contracts on account of segregated fund policyholders	68,253	166,878	127,523	—	362,654
Total	\$ 193,997	\$ 297,189	\$ 185,325	\$ 6,868	\$ 683,379

Notes to the Consolidated Financial Statements

	2022				
	Canada	United States	Europe	Capital and Risk Solutions	Total
Assets					
Invested assets	\$ 85,343	\$ 90,655	\$ 38,652	\$ 8,573	\$ 223,223
Insurance contract assets	408	245	322	165	1,140
Reinsurance contract held assets	1,211	12,624	3,639	97	17,571
Goodwill and intangible assets	5,789	7,973	3,079	—	16,841
Other assets	3,682	18,430	3,297	140	25,549
Investments on account of segregated fund policyholders	93,816	166,274	127,792	—	387,882
Total	\$ 190,249	\$ 296,201	\$ 176,781	\$ 8,975	\$ 672,206
Liabilities					
Insurance contract liabilities	\$ 75,058	\$ 18,669	\$ 35,670	\$ 6,041	\$ 135,438
Investment contract liabilities	3,635	90,139	323	713	94,810
Reinsurance contract held liabilities	164	167	226	(20)	537
Other liabilities	7,809	13,202	3,089	644	24,744
Insurance contracts on account of segregated fund policyholders	32,535	12,432	12,874	—	57,841
Investment contracts on account of segregated fund policyholders	61,281	153,842	114,918	—	330,041
Total	\$ 180,482	\$ 288,451	\$ 167,100	\$ 7,378	\$ 643,411

The Assets by Source Currency for Capital and Risk Solutions

	2023	2022
Assets		
United States	\$ 4,334	\$ 4,070
United Kingdom	1,350	1,317
Japan	3,047	3,279
Other	357	309
Total assets	\$ 9,088	\$ 8,975

(c) CSM

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

¹ The amounts in the table above are presented net of reinsurance.

² Included in the changes in estimates that adjust the CSM is a \$73 reclassification of CSM between segregated funds and non-participating products excluding segregated funds. There is no change in overall CSM from this reclassification.

Notes to the Consolidated Financial Statements

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

¹ The amounts in the table above are presented net of reinsurance.

² On April 1, 2022, the Company completed the acquisition of the full-service retirement services business of Prudential Financial, Inc. The acquisition included \$294 of CSM which has been included in the contracts initially recognized in the year category.

Independent Auditor's Report

To the Shareholders of Great-West Lifeco Inc.

Opinion

We have audited the consolidated financial statements of Great-West Lifeco Inc. (the "Company"), which comprise the consolidated balance sheets as at December 31, 2023 and 2022 and January 1, 2022, and the consolidated statements of earnings, comprehensive income, changes in equity and cash flows for the years ended December 31, 2023 and 2022, and notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022 and January 1, 2022, and its financial performance and its cash flows for the years ended December 31, 2023 and 2022 in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Insurance Contract Liabilities - Refer to Notes 2 and 14 to the Financial Statements

Key Audit Matter Description

The Company's insurance contract liabilities represent a significant portion of its total liabilities. Insurance contract liabilities are determined in accordance with IFRS 17, Insurance Contracts ("IFRS 17"). This requires the use of complex valuation models and assumptions to measure groups of contracts as the total of fulfillment cash flows, plus a risk adjustment for non-financial risk and a contractual service margin ("CSM"). The CSM component is only relevant for groups of insurance contracts measured using the general measurement model and the variable fee approach.

While there is considerable judgment applied by management and inherent uncertainty in selecting assumptions, the assumptions with the greatest estimation uncertainty are related to mortality, policyholder behaviour and discount rates. These assumptions required significant auditor attention in specific circumstances where (i) there is limited Company and industry experience data, (ii) the historical experience may not be a good indicator of the future and (iii) the determination of discount rates requires complex calculation and measurement of unobservable market inputs. Auditing of certain valuation models and significant assumptions (mortality, policyholder behaviour and discount rate) required a high degree of auditor judgment and an increased extent of audit effort, including the need to involve actuarial and fair value specialists.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to certain valuation models and significant assumptions included the following, among others:

- With the assistance of actuarial and fair value specialists, tested the appropriateness of certain valuation models used in the valuation process by:
 - Calculating an independent estimate of the insurance contract liability for a sample of insurance policies and comparing the results to the Company's estimate;
 - Testing the accuracy of certain valuation models for changes in key assumptions.
- With the assistance of actuarial specialists, tested the reasonableness of mortality and policyholder behaviour assumptions by:
 - Evaluating whether management's assumptions were determined in accordance with the requirements of IFRS 17;
 - Testing experience studies and other inputs used in the determination of the assumptions;
 - Analyzing management's interpretation and judgment of its experience study results and emerging claims experience, evaluating new and revised key assumptions, assessing reasonable possible alternative assumptions, and considering industry and other external sources of benchmarking, where applicable.
- With the assistance of actuarial and fair value specialists, evaluated the reasonableness of the discount rates used by:
 - Evaluating whether management's assumptions and methodologies were determined in accordance with the requirements of IFRS 17;
 - Testing the inputs and source information underlying the determination of the discount rates and developing a range of independent estimates and comparing those to the discount rates selected by management.

Adoption of New and Amended Accounting Standards – IFRS 17 - Refer to Note 3 to the Financial Statements

Key Audit Matter Description

The Company adopted IFRS 17 effective January 1, 2023. The adoption of IFRS 17 was done on a retrospective basis which had an impact on the Company's January 1, 2022 opening equity balances. IFRS 17 is a complex accounting standard requiring considerable judgment and interpretation in its implementation, and impacts how the Company recognizes, measures, presents and discloses insurance contracts. In adopting the new standard, the Company used significant judgment in developing and implementing accounting policies, including policies specific to transition. Of particular importance, the Company elected to use the fair value approach for groups of contracts where full retrospective application was impracticable. Under the fair value approach, the CSM at transition is equal to the fair value of a group of insurance contracts less the fulfillment cash flows measured at that date.

There are many components embedded in the determination of the fair value for groups of insurance contracts that required management to use significant judgment in making estimates and assumptions related to (1) the appropriateness of the fair value methodology and calculations, (2) the appropriateness of the fair value adjustments to 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 fair value determination for groups of contracts required a high degree of auditor judgment and an increased extent of audit effort, including the need to involve fair value, technical accounting and actuarial specialists.

How the Key Audit Matter Was Addressed in the Audit

With the assistance of various specialists, our audit procedures related to the development and implementation of IFRS 17 accounting policies and judgments, assumptions and estimates used in the fair value determination for groups of insurance contracts as at January 1, 2022 included the following, among others:

- Evaluated the appropriateness of management's accounting policies and tested that they were appropriately implemented.
- Evaluated the fair value approach methodology and related fair value adjustments against the requirements of IFRS 17 and IFRS 13, Fair Value Measurement ("IFRS 13") by:
 - Evaluating the methodologies and fair value adjustments and their applicability under IFRS 17 and IFRS 13;
 - Examining the audited historical projected cashflows and assumptions to ensure they are incorporated into the transition valuation models as applicable;
 - Evaluating new and revised key assumptions under IFRS 17;

- Testing the appropriateness of certain valuation models used in the estimation process by calculating an independent estimate of the insurance contract liability for a sample of insurance policies and comparing the results to the Company's estimate.
- Evaluated the reasonableness of the discount rates used to determine fair value by:
 - Evaluating whether management's assumptions and methodologies were determined in accordance with the requirements of IFRS 17 and IFRS 13;
 - Testing the inputs and source information underlying the determination of the discount rates and developing a range of independent estimates and comparing those to the discount rates selected by management.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis;
- The information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. David Jordan Oakley.

/s/ Deloitte LLP

Chartered Professional Accountants

Winnipeg, Manitoba

February 14, 2024

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