REPORT TO SHAREHOLDERS

2023

Second Quarter Results

For the period ended June 30, 2023

GREAT-WEST LIFECO INC.

E1138(823)-8/23

Quarterly Report to Shareholders

For cautionary notes regarding forward-looking information and non-IFRS financial measures, see page 1.

Copies of this report are available at www.greatwestlifeco.com or by contacting the Corporate Secretary’s Office at 204-946-4388.

GREAT-WEST LIFECO INC.

QUARTERLY REPORT TO THE SHAREHOLDERS

January 1 to June 30, 2023 Six Months Results

The condensed consolidated interim unaudited financial statements including notes at June 30, 2023 were approved by the Board of Directors at a meeting held today.

Great-West Lifeco Inc. (Lifeco or the Company) today announced its second quarter 2023 results.

Key Financial Highlights

	In-Quarter			Year-to-Date	
	Q2 2023	Q1 2023	Q2 2022	**2023**	2022
Base earnings[1,4]	**$920**	$826	$903	**$1,746**	$1,615
Net earnings	**$498**	$595	$823	**$1,093**	$2,157
Base EPS[2,4]	**$0.99**	$0.89	$0.97	**$1.87**	$1.73
Net EPS	**$0.53**	$0.64	$0.88	**$1.17**	$2.32
Base ROE[2,3,4]	**15.9%**	16.1%			
Net ROE[3]	**11.7%**	13.4%			

[1] Base earnings is a non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures and Ratios" section of this document for additional details.

[2] Base EPS and base return on equity are non-GAAP ratios. Refer to the "Non-GAAP Financial Measures and Ratios" section of this document for additional details.

[3] Base return on equity and return on equity are calculated using the trailing four quarters of applicable IFRS 17 earnings and common shareholders' equity.

[4] Comparative base earnings results are restated to exclude discontinued operations related to Putnam Investments.

Base earnings per common share (EPS) of $0.99 up 2% from $0.97 a year ago. The increase year over year was primarily due to higher investment returns; increased fees driven by higher average equity markets and business growth in the U.S. segment; and strong results in the Capital and Risk Solutions segment.

Sequentially, base EPS are up 11% compared to $0.89 base EPS in the first quarter of 2023, primarily driven by the U.S. and Capital and Risk Solutions segments. Growth in the U.S. resulted from higher markets and further synergies realized on the Prudential acquisition. Capital and Risk Solutions benefited from strong growth in structured reinsurance business, higher investment results, and improved mortality experience[5].

Net EPS was $0.53 and included costs of $0.30 EPS ($279 million) associated with acquisitions and divestitures, and surplus asset rebalancing activities. These costs included transaction costs of $158 million predominantly related to the announced sales of Putnam Investments and the U.K. individual onshore protection business, in addition to an indemnity provision related to the U.S. individual life and annuity business sold in 2019. It also included $121 million of realized other comprehensive income (OCI) losses from rebalancing U.K. surplus assets to capitalize on higher short-term rates and improve future interest rate sensitivities.

Return on equity was 11.7% on net earnings and 15.9% on base earnings in the second quarter of 2023.

[5] Under the IFRS 17 reporting standard, mortality experience on life insurance tends to be recognized into earnings immediately, whereas mortality/longevity experience on payout annuities and related businesses, mainly flows through the Contractual Service Margin and is recognized into earnings over the life of the remaining contracts.

Highlights

- The Company announced strategic transactions in quarter to rebalance and focus its business portfolio:
    - Announced sale of Putnam Investments, unlocking shareholder value and further focusing U.S. operations on highly attractive retirement and personal wealth markets.
    - Announced complementary acquisitions of Investment Planning Counsel Inc. (IPC) and Value Partners, which will enable the Canadian business with new capabilities to offer a leading end-to-end wealth and insurance platform for independent advisors.
    - Announced an agreement to sell the individual onshore protection business of Canada Life U.K. to Countrywide Assured plc. This follows the Company's announcement that it closed onshore individual protection insurance to new business in November 2022.
- The disciplined execution of the Company's strategy continues to drive strong momentum:
    - Go live with Canadian government's Public Service Health Care Plan (PSHCP) on July 1, 2023.
    - Canada Life was awarded the Canadian government's dental plan which represents approximately $550 million in annual paid claims and supports the same 1.7 million Canadians as the PSHCP.
    - Empower Personal Wealth, launched in the first quarter of 2023, continued to see strong momentum with 30% growth in assets under administration year over year.
    - Diversified our wealth capabilities and distribution access at Irish Life with the launch of a new joint venture, AIB Life, in Ireland.
    - Capital and Risk Solutions expanded its international presence in targeted new markets, including two transactions in Italy.
- The Company hosted an Investor Day to share our strategy for growth, with a specific focus on our wealth and asset management businesses in Canada, Europe and the U.S.

SEGMENTED OPERATING RESULTS

For reporting purposes, Lifeco's consolidated operating results are grouped into five reportable segments – Canada, United States, Europe, Capital and Risk Solutions and Lifeco Corporate – reflecting the management and corporatestructure of the Company. For more information, refer to the Company's second quarter of 2023 interim Management's Discussion and Analysis (MD&A).

	In-Quarter			Year-to-Date	
	Q2 2023	Q1 2023	Q2 2022	**2023**	2022
Segment Base Earnings[6]					
Canada	**$283**	$278	$340	**$561**	$564
United States	**265**	218	164	**483**	308
Europe	**180**	178	210	**358**	386
Capital and Risk Solutions	**203**	157	190	**360**	361
Lifeco Corporate	**(11)**	(5)	(1)	**(16)**	(4)
Total Base earnings[6]	**$920**	$826	$903	**$1,746**	$1,615
Segment Net Earnings					
Canada	**$148**	$233	$362	**$381**	$805
United States	**90**	151	23	**241**	135
Europe	**102**	40	250	**142**	794
Capital and Risk Solutions	**169**	184	179	**353**	413
Lifeco Corporate	**(11)**	(13)	9	**(24)**	10
Total Net earnings	**$498**	$595	$823	**$1,093**	$2,157

[6] Base earnings is a non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures and Ratios" section of this document for additional details.

CANADA

- **Q2 Canada segment base earnings of $283 million and net earnings of $148 million** – Base earnings of $283 million decreased by $57 million compared to the same quarter last year, primarily due to strong group health morbidity results in 2022 that did not repeat, partially offset by pricing and other management actions taken, aided by higher interest rates in 2023.

UNITED STATES

- **Q2 United States segment base earnings of US$198 million ($265 million) and net earnings of US$67 million ($90 million)** – United States base earnings for the second quarter of 2023 were US$198 million ($265 million), up US$70 million or 55% from the second quarter of 2022. The increase was primarily due to improved spreads from higher interest rates, higher fee income from higher average equity markets and lower expenses due to synergies achieved on recent acquisitions.

EUROPE

- **Q2 Europe segment base earnings of $180 million and net earnings of $102 million** – Base earnings of $180 million decreased by $30 million compared to the same quarter last year, primarily due to favourable insurance experience in Q2 2022 that did not repeat, partially offset by favourable currency movement and investment earnings.

CAPITAL AND RISK SOLUTIONS

- **Q2 Capital and Risk Solutions segment base earnings of $203 million and net earnings of $169 million** – Base earnings of $203 million increased by $13 million compared to the same quarter last year, primarily due to favourable structured business earnings and investment earnings, partially offset by unfavourable experience in the U.S. life business.

GREAT-WEST LIFECO INC.

QUARTERLY DIVIDENDS

The Board of Directors approved a quarterly dividend of $0.52 per share on the common shares of Lifeco payable September 29, 2023 to shareholders of record at the close of business August 31, 2023.

In addition, the Directors approved quarterly dividends on Lifeco's preferred shares, as follows:

First Preferred Shares	Amount, per share
Series G	$0.3250
Series H	$0.30313
Series I	$0.28125
Series L	$0.353125
Series M	$0.3625
Series N	$0.109313
Series P	$0.3375
Series Q	$0.321875
Series R	$0.3000
Series S	$0.328125
Series T	$0.321875
Series Y	$0.28125

For purposes of the Income Tax Act (Canada), and any similar provincial legislation, the dividends referred to above are eligible dividends.

P. A. Mahon
President and Chief Executive Officer

August 8, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE PERIOD ENDED JUNE 30, 2023

DATED: AUGUST 8, 2023

This Management's Discussion and Analysis (MD&A) presents management's view of the financial condition, financial performance and cash flows of Great-West Lifeco Inc. (Lifeco or the Company) for the three and six months ended June 30, 2023 and includes a comparison to the corresponding periods in 2022, to the three months ended March 31, 2023, and to the Company's financial condition as at December 31, 2022, as applicable. The comparative 2022 periods are restated and unaudited to reflect the adoption of IFRS 17, Insurance Contracts and IFRS 9, Financial Instruments. This MD&A provides an overall discussion, followed by analysis of the performance of Lifeco's four major reportable segments: Canada, United States (U.S.), Europe, and Capital and Risk Solutions.

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BASIS OF PRESENTATION AND SUMMARY OF ACCOUNTING POLICIES

The condensed consolidated interim unaudited financial statements of Lifeco, which are the basis for data presented in this report, have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) unless otherwise noted and are presented in millions of Canadian dollars unless otherwise indicated. This MD&A should be read in conjunction with the Company's condensed consolidated interim unaudited financial statements for the periods ended June 30, 2023 which reflect the adoption of IFRS 17, Insurance Contracts, and IFRS 9, Financial Instruments that resulted in the restatement of certain comparative amounts. Also refer to the "Accounting Policies" section of this MD&A and the 2022 Annual MD&A and audited consolidated financial statements in the Company's 2022 Annual Report.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking information. Forward-looking information includes statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "will", "may", "expects", "anticipates", "intends", "plans", "believes", "estimates", "objective", "target", "potential" and other similar expressions or negative versions thereof. Forward-looking information includes, without limitation, statements about the Company and its operations, business (including business mix), financial condition, expected financial performance (including revenues, earnings or growth rates and medium-term financial objectives), ongoing business strategies or prospects, climate-related and diversity-related measures, objectives and targets, anticipated global economic conditions and possible future actions by the Company, including statements made with respect to the expected costs, benefits, timing of integration activities and timing and extent of revenue and expense synergies of acquisitions and divestitures (including but not limited to the proposed acquisition of Investment Planning Counsel (IPC), the proposed acquisition of Value Partners Group Inc. (Value Partners), the proposed sale of Putnam Investments (Putnam), and the proposed sale of Canada Life U.K.'s individual onshore protection business), value creation and realization, growth opportunities, expected capital management activities and use of capital, estimates of risk sensitivities affecting capital adequacy ratios, expected dividend levels, expected cost reductions and savings, expected expenditures or investments (including but not limited to investment in technology infrastructure and digital capabilities and solutions and investments in strategic partnerships), the timing and completion of the proposed acquisitions of IPC and Value Partners and the proposed sale of Putnam and Canada Life U.K.'s individual onshore protection business, and the impact of regulatory developments on the Company's business strategy and growth objectives.

Forward-looking statements are based on expectations, forecasts, estimates, predictions, projections and conclusions about future events that were current at the time of the statements and are inherently subject to, among other things, risks, uncertainties and assumptions about the Company, economic factors and the financial services industry generally, including the insurance, mutual fund and retirement solutions industries. They are not guarantees of future performance, and the reader is cautioned that actual events and results could differ materially from those expressed or implied by forward-looking statements. Many of these assumptions are based on factors and events that are not within the control of the Company and there is no assurance that they will prove to be correct. In all cases, whether or not actual results differ from forward-looking information may depend on numerous factors, developments and assumptions, including, without limitation, assumptions around sales, fee rates, asset breakdowns, lapses, plan contributions, redemptions and market returns, the ability to integrate recent and proposed acquisitions, the ability to leverage recent and proposed acquisitions and achieve anticipated synergies, customer behaviour (including customer response to new products), the Company's reputation, market prices for products provided, sales levels, premium income, fee income, expense levels, mortality experience, morbidity experience, policy and plan lapse rates, participant net contribution, reinsurance arrangements, liquidity requirements, capital requirements, credit ratings, taxes, inflation, interest and foreign exchange rates, investment values, hedging activities, global equity and capital markets (including continued access to equity and debt markets), industry sector and individual debt issuers' financial conditions (particularly in certain industries that may comprise part of the Company's investment portfolio), business competition, impairments of goodwill and other intangible assets, the Company's ability to execute strategic plans and changes to strategic plans, technological changes, breaches or failure of information systems and security (including cyber attacks), payments required under investment products, changes in local and international laws and regulations, changes in accounting policies and the effect of applying future accounting policy changes, changes in actuarial standards, unexpected judicial or regulatory proceedings, catastrophic events, continuity and availability of personnel and third party service providers, the Company's ability to complete strategic transactions and integrate acquisitions, unplanned material changes to the Company's facilities, customer and employee relations or credit arrangements, levels of administrative and operational efficiencies, changes in trade organizations, and other general economic, political and market factors in North America and internationally.

The reader is cautioned that the foregoing list of assumptions and factors is not exhaustive, and there may be other factors listed in other filings with securities regulators, including factors set out in the Company's 2022 Annual MD&A under "Risk Management and Control Practices" and "Summary of Critical Accounting Estimates" and in the Company's annual information form dated February 8, 2023 under "Risk Factors", which, along with other filings, is available for review at www.sedar.com. The reader is also cautioned to consider these and other factors, uncertainties and potential events carefully and not to place undue reliance on forward-looking information.

Other than as specifically required by applicable law, the Company does not intend to update any forward-looking information whether as a result of new information, future events or otherwise.

Important Note Regarding Sustainability Disclosure

Certain forward-looking statements in this MD&A relate to the Company's climate-related and diversity-related measures, objectives, priorities, strategies and commitments or actions that will be taken to achieve them. The climate-related statements include statements with respect to reducing the Company's greenhouse gas (GHG) emissions related to its own activities and energy consumption and achieving net-zero GHG emissions for its operating and financing activities by 2050, the causes and potential impacts of climate change globally, and the Company's approach to identifying and managing climate-related risks and opportunities. The diversity-related statements include statements with respect to growing representation of women and underrepresented minorities in management. The forward-looking climate-related and diversity-related information in this MD&A is presented for the purpose of assisting our stakeholders in understanding how we intend to address climate-related governance, strategy, risks, opportunities, and objectives, and may not be appropriate for other purposes.

Any commitments, goals or targets discussed in this MD&A, including but not limited to the Company's net-zero related commitments and diversity-related measures, are aspirational and may need to be changed or recalibrated as data improve and as climate science, regulatory requirements and market practices regarding standards, methodologies, metrics and measurements evolve. Our climate risk analysis and net-zero strategy remain under development, and the data underlying our analysis and strategy remain subject to evolution over time. We are also continuing to develop our diversity-related data. There is a strong possibility that our expectations, forecasts, estimates, predictions and conclusions may not prove to be accurate and our assumptions may prove to be incorrect, and there is a material risk we will not achieve our climate-related and diversity-related objectives, priorities, strategies and commitments. In addition, many of the assumptions, standards, metrics and measurements used in preparing these forward-looking statements are not audited or independently verified, have limited comparability and continue to evolve.

There are limitations and uncertainties inherent in climate science, climate risk analysis and reporting. There are many factors that are the subject of ongoing climate science and that we cannot foresee or accurately predict, which will impact the Company's ability to achieve its climate-related objectives, priorities, strategies and commitments. There are also many factors which will impact the Company's ability to achieve its diversity-related objectives, priorities, strategies and commitments. These factors include, without limitation, the transition to a low-carbon economy, the need for more and better climate data and standardization of climate-related measurement methodologies, our ability to gather and verify data, our ability to develop indicators to effectively monitor our advancements and assess and manage climate-related risks, the need for active and continued action by stakeholders (including governmental and non-governmental organizations, our counterparties and other businesses and individuals), compliance with our policies and procedures, our ability to recruit and retain key personnel in a competitive environment for talent, technological advancements, the evolution of consumer behaviour, varying decarbonization efforts across economies, the challenges of balancing emission reduction objectives with an orderly, just and inclusive transition and geopolitical factors that impact global energy needs, the legal and regulatory environment, and regulatory compliance considerations.

CAUTIONARY NOTE REGARDING NON-GAAP FINANCIAL MEASURES AND RATIOS

This MD&A contains some non-Generally Accepted Accounting Principles (GAAP) financial measures and non-GAAP ratios as defined in National Instrument 52-112 “Non-GAAP and Other Financial Measures Disclosure”. Terms by which non-GAAP financial measures are identified include, but are not limited to, "base earnings (loss)", "base earnings (loss) (US$)", "base earnings: insurance service result", "base earnings: net investment result", "assets under management" and "assets under administration". Terms by which non-GAAP ratios are identified include, but are not limited to, “base earnings per common share (EPS)”, “base return on equity (ROE)”, "base dividend payout ratio" and “effective income tax rate – base earnings – common shareholders”. Non-GAAP financial measures and ratios are used to provide management and investors with additional measures of performance to help assess results where no comparable GAAP (IFRS) measure exists. However, non-GAAP financial measures and ratios do not have standard meanings prescribed by GAAP (IFRS) and are not directly comparable to similar measures used by other companies. Refer to the "Non-GAAP Financial Measures and Ratios" section in this MD&A for the appropriate reconciliations of these non-GAAP financial measures to measures prescribed by GAAP as well as additional details on each measure and ratio.

CONSOLIDATED OPERATING RESULTS

Selected consolidated financial information
(in Canadian $ millions, except for per share amounts)

	As at or for the three months ended			For the six months ended	
	June 30 2023	March 31 2023[6]	June 30 2022 (Restated)	**June 30 2023**	June 30 2022 (Restated)
Earnings					
Base earnings[1,6]	**$ 920**	$ 826	$ 903	**$ 1,746**	$ 1,615
Net earnings - common shareholders	**498**	595	823	**1,093**	2,157
Per common share					
Basic:					
Base earnings[2,6]	**0.99**	0.89	0.97	**1.87**	1.73
Net earnings	**0.53**	0.64	0.88	**1.17**	2.32
Diluted net earnings	**0.53**	0.64	0.88	**1.17**	2.31
Dividends paid	**0.52**	0.52	0.49	**1.04**	0.98
Book value[3]	**23.22**	23.45	22.11		
Base return on equity[2,6]	**15.9 %**	16.1 %			
Return on equity[3]	**11.7 %**	13.4 %			
Base dividend payout ratio[2,6]	**52.6 %**	58.7 %	50.6 %		
Dividend payout ratio[3]	**97.4 %**	81.3 %	55.7 %		
Financial leverage ratio[4]	**31 %**	33 %	33 %		
Price/earnings ratio[3]	**14.2X**	11.7X			
Price/book value ratio[3]	**1.7X**	1.5X			
Total assets per financial statements	**$ 690,003**	$ 691,853			
Total assets under management[1]	**1,042,373**	1,040,214			
Total assets under administration[1]	**2,643,378**	2,596,151			
Total contractual service margin (net of reinsurance held)	**13,058**	13,043			
Total equity	**$ 28,774**	$ 29,037			
Canada Life Assurance Company consolidated LICAT Ratio[5]	**126 %**	127 %			

1 This metric is a non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures and Ratios" section of this document for additional details.
2 This metric is a non-GAAP ratio. Refer to the "Non-GAAP Financial Measures and Ratios" section of this document for additional details.
3 Refer to the "Glossary" section of this document for additional details on the composition of this measure.
4 The calculation for financial leverage ratio includes the after-tax non-participating CSM balance in the denominator, other than CSM associated with segregated fund guarantees. This reflects that the CSM represents future profit and is considered available capital under LICAT. These ratios are estimates based on available data.
5 The Life Insurance Capital Adequacy Test (LICAT) Ratio is based on the consolidated results of The Canada Life Assurance Company (Canada Life), Lifeco's major Canadian operating subsidiary. The LICAT Ratio is calculated in accordance with the Office of Superintendent of Financial Institutions' guideline - Life Insurance Capital Adequacy Test. Refer to the "Capital Management and Adequacy" section of this document for additional details.
6 Comparative results are restated to exclude net earnings (losses) from discontinued operations related to Putnam Investments.

Base earnings per share for the second quarter of 2023 are up 2% from the second quarter of 2022 and up 11% from the first quarter of 2023. Net earnings per share of $0.53 for the second quarter of 2023 are down from the second quarter of 2022 and the first quarter of 2023, as net earnings were negatively impacted by $0.30 per share predominantly from divestiture-related costs in the U.S. and Europe segments, and realized other comprehensive income (OCI) losses related to asset rebalancing to shorter duration assets in the Europe surplus account. The asset rebalancing capitalized on higher short-term interest rates and had a favourable impact on LICAT interest rate capital requirements as well as reducing future interest rate sensitivities (See Base and Net Earnings discussion).

DEVELOPMENTS

- The Company has adopted and successfully implemented IFRS 17, Insurance Contracts and IFRS 9, Financial Instruments effective January 1, 2023[1]. The new reporting regime provides improved visibility as to the strong underlying economics and diversification of Lifeco's portfolio through enhanced disclosures and metrics. These new standards do not have a material financial impact or result in a material change in the level of invested assets, nor do they change the underlying economics of the Company's business activities or change the Company's business strategy.
- As the Company is advancing its business strategy and driving momentum across the portfolio, it is enhancing its reporting and disclosures to provide greater clarity and transparency into how the Company is creating value for shareholders and growing the business. The result is that the Company is evolving the previous value-creation priorities to focus on three key value drivers for its business: Workplace Solutions, Wealth & Asset Management and Insurance & Risk Solutions.
- Canada Life was awarded the Federal Government Dental Care benefits program in June. This win extends a decades-long relationship in retaining the Public Service Dental Care Plan (PSDCP) for active employees and expands to include the retiree plan effective July 1, 2024. Overall, the program represents approximately $550 million in annual paid claims and supports the same 1.7 million Canadians as the Public Service Health Care Plan (PSHCP) onboarded on July 1, 2023.

Strategic Highlights and Transactions

- On May 31, 2023, Lifeco announced an agreement to sell Putnam Investments to Franklin Resources, Inc., operating as Franklin Templeton. The total potential transaction consideration and retained value is estimated to be US$1.7-US$1.8 billion. Franklin Templeton will pay upfront consideration of US$950 million-US$1 billion consisting of 33.33 million Franklin Templeton shares at closing and US$100 million in cash 6 months after closing. Further consideration of up to US$375 million payable between 3 and 7 years is tied to the growth of the partnership. Lifeco will retain its controlling interest in PanAgora Asset Management, a leading quantitative asset manager, and realize the value of Putnam's seed capital, which, together with closing adjustments, are estimated to be worth US$375-US$425 million. Lifeco will also retain certain deferred tax assets related to Putnam. Lifeco has agreed to retain shares representing approximately 4.9% of outstanding Franklin Templeton stock for a minimum 5-year period. The transaction is expected to close in the fourth quarter of 2023, subject to customary closing conditions including regulatory approvals. The transaction is not expected to result in a material gain or loss before transaction costs.

  In addition to the sale, Lifeco, along with Power Corporation of Canada and Franklin Templeton, has entered into a strategic partnership to distribute Franklin Templeton products. Lifeco will provide an initial long-term asset allocation of US$25 billion assets under management[2] to Franklin Templeton within 12 months of closing with the potential for that amount to increase over the next several years.
- On April 3, 2023, Canada Life announced an agreement to acquire Investment Planning Counsel Inc. (IPC), a leading independent wealth management firm, from IGM Financial Inc. (IGM). This acquisition accelerates Canada Life's strategy of building a leading platform for independent advisors in Canada. With this acquisition, Canada Life will be one of the largest non-bank wealth management providers in Canada. Canada Life will acquire IPC for a total cash consideration of $575 million, subject to adjustments. Transaction and integration costs of $25 million pre-tax are expected over 18 months after the deal is closed. IGM is an affiliated company and a member of the Power Corporation group of companies. The transaction is expected to close in the fourth quarter of 2023 and is subject to customary closing conditions including regulatory approvals.
- On June 13, 2023, Canada Life announced an agreement to acquire Value Partners Group Inc. (Value Partners), a fast-growing Winnipeg-based investment firm serving clients with complex and sophisticated wealth

[1] Refer to the "Accounting Policies" section of this document and to notes 2 and 3 of the Company's condensed consolidated interim unaudited financial statements for the period ended June 30, 2023 for further details.
[2] This metric is a non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures and Ratios" section of this document for additional details.

needs. This acquisition accelerates Canada Life's strategy of building a leading wealth management platform for independent advisors. The acquisition will be financed with existing resources and is not expected to have a material impact on Canada Life's financial position. The transaction is expected to close by the end of 2023 and is subject to customary closing conditions including regulatory approvals (including from the Toronto Stock Exchange).

- On May 16, 2023, Canada Life U.K. announced an agreement to sell its individual onshore protection business to Countrywide Assured plc (Countrywide), a subsidiary of Chesnara plc. Approximately 47,000 customer policies will transfer to Countrywide in 2024, subject to the completion of a court-approved transfer. This follows the Canada Life U.K. announcement that it closed onshore individual protection insurance to new business in November 2022. As a result of this agreement, divestiture costs of $29 million have been excluded from base earnings in the second quarter of 2023.

<u>Capital Transactions</u>

- On April 18, 2023, the Company repaid the principal amount of its maturing 2.5% €500 million senior bonds, together with accrued interest.
- On June 30, 2023, Great-West Lifeco U.S. LLC, a subsidiary of the Company, made a payment of US$150 million on its non-revolving credit facility.

Macroenvironmental Risks

Many factors continue to extend economic uncertainty and global financial markets continue to be volatile. The environment is displaying elevated levels of inflation and tighter financial conditions, and there have been increased liquidity concerns with respect to certain U.S. and European banks. Central banks are weighing these factors in consideration of interest rate decisions in many of the countries in which the Company operates. The outlook for financial and real estate markets over the short and medium-term remains highly uncertain and the Company actively monitors events and information globally.

Throughout 2022 and into 2023, commercial real estate office markets in Europe and North America showed signs of slowdown due to dampened demand from a continued lag faced by employers on return-to-office plans, leading to higher vacancy rates and deteriorating operating performance, driven as well by challenging economic and capital market conditions. This has resulted in certain valuation reductions reflecting the current outlook for office properties. As market conditions evolve, the Company may be required to apply further valuation reductions.

The Company's strategies are resilient and flexible, positioning it to navigate current market conditions and continue to identify and pursue opportunities, including organic growth and acquisition activities, while supporting customers and employees in an evolving environment.

BASE AND NET EARNINGS

Consolidated base earnings and net earnings of Lifeco include the base earnings and net earnings of Canada Life (and its operating subsidiaries), Empower and PanAgora Asset Management, together with Lifeco's Corporate operating results. Net earnings also include the earnings from Putnam Investments reported as discontinued operations.

With the adoption of IFRS 17, the Company refined the definition of base earnings (loss) in the first quarter of 2023 with application to 2022 comparative results for an updated representation of the Company's underlying business performance, as well as for consistency and comparability with financial services industry peers.

For a further description of base earnings, refer to the "Non-GAAP Financial Measures and Ratios" section of this document.

Base earnings[1] and net earnings - common shareholders by segment

	For the three months ended			For the six months ended	
	June 30 2023	March 31 2023[4]	June 30 2022 (Restated)	**June 30 2023**	June 30 2022 (Restated)
Base earnings (loss)[1,4]					
Canada	**$ 283**	$ 278	$ 340	**$ 561**	$ 564
United States[4]	**265**	218	164	**483**	308
Europe	**180**	178	210	**358**	386
Capital and Risk Solutions	**203**	157	190	**360**	361
Lifeco Corporate	**(11)**	(5)	(1)	**(16)**	(4)
Lifeco base earnings[1,4]	**$ 920**	$ 826	$ 903	**$ 1,746**	$ 1,615
Items excluded from base earnings					
Market experience relative to expectations[2]	**$ (79)**	$ (168)	$ 79	**$ (247)**	$ 765
Realized OCI gains / (losses) from asset rebalancing	**(121)**	—	—	**(121)**	—
Assumption changes and management actions[2]	**(4)**	7	(15)	**3**	(33)
Acquisition and divestiture costs[3]	**(158)**	—	(57)	**(158)**	(64)
Restructuring and integration costs	**(20)**	(19)	(44)	**(39)**	(56)
Amortization of acquisition-related finite life intangibles	**(36)**	(32)	(36)	**(68)**	(63)
Discontinued operations - Asset Management[4]	**(4)**	(19)	(7)	**(23)**	(7)
Items excluded from Lifeco base earnings	**$ (422)**	$ (231)	$ (80)	**$ (653)**	$ 542
Net earnings (loss) - common shareholders					
Canada	**$ 148**	$ 233	$ 362	**$ 381**	$ 805
United States	**90**	151	23	**241**	135
Europe	**102**	40	250	**142**	794
Capital and Risk Solutions	**169**	184	179	**353**	413
Lifeco Corporate	**(11)**	(13)	9	**(24)**	10
Lifeco net earnings - common shareholders	**$ 498**	$ 595	$ 823	**$ 1,093**	$ 2,157

1 This metric is a non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures and Ratios" section of this document for additional details.
2 Refer to the "Glossary" section of this document for additional details on the composition of this measure.
3 The acquisition and divestiture costs relate to acquisitions in the U.S. segment (the full-service retirement business of Prudential, Personal Capital and the retirement services business of MassMutual), the agreement to sell Putnam Investments as well as acquisitions and divestitures in the Europe and Canada segments.
4 Comparative results are restated to exclude net earnings (losses) from discontinued operations related to Putnam Investments from base earnings.

Base Earnings
Base earnings for the second quarter of 2023 of $920 million ($0.99 per common share) increased by $17 million or 2% from $903 million ($0.97 per common share) a year ago. The increase was primarily due to higher contributions from investment experience and increased fees driven by higher average equity markets and transaction volumes in the U.S. segment as well as favourable structured reinsurance business earnings and the impact of higher interest rates in the Capital and Risk Solutions segment. These items were partially offset by strong group morbidity results in 2022 that did not repeat in the Canada segment and less favourable health and disability claims experience in the Europe segment.

For the six months ended June 30, 2023, Lifeco's base earnings were $1,746 million ($1.87 per common share) compared to $1,615 million ($1.73 per common share) a year ago. The 8% increase was primarily due to an increase of $76 million (US$56 million) related to the Prudential acquisition for the current period as well as the same reasons discussed for the in-quarter results.

Net Earnings
Lifeco's net earnings for the three month period ended June 30, 2023 of $498 million ($0.53 per common share) decreased by $325 million or 39% compared to $823 million ($0.88 per common share) a year ago. Net earnings included acquisition and divestiture costs predominantly in the U.S. and Europe segments and realized losses on the sale of surplus assets measured at FVOCI to improve regulatory capital positioning totaling negative $279 million or $0.30 per common share.

- Acquisition and divestiture costs of $158 million were predominantly related to the announced sales of Putnam Investments and the individual onshore protection business in the U.K. in 2023 as well as the sale of substantially all of Empower's individual life and annuity business in 2019.
- Realized OCI losses of $121 million related to asset rebalancing to shorter duration assets in the Europe surplus account. This capitalized on higher short-term interest rates and had a favorable impact on LICAT interest rate capital requirements and reduces future interest rate sensitivity.

In addition to these items, the decrease was primarily due to higher restructuring costs related to transactions in the U.S. segment, as well as unfavourable market experience relative to expectations, driven by lower returns on non-fixed income assets and declining risk free rates in-quarter compared to positive contributions in the same quarter last year from rising interest rates.

The decrease was partially offset by an increase in base earnings. Included in net earnings was a net loss from discontinued operations of $4 million compared to a net loss of $7 million a year ago.

For the six months ended June 30, 2023, Lifeco's net earnings were $1,093 million ($1.17 per common share) compared to $2,157 million ($2.32 per common share) a year ago. The 49% decrease was primarily due to the same reasons discussed for the in-quarter results, partially offset by an increase in base earnings. Included in net earnings was a net loss from discontinued operations of $23 million compared to a net loss of $7 million a year ago.

Lifeco's net earnings for the three month period ended June 30, 2023 of $498 million ($0.53 per common share) decreased by $97 million or 16% compared to $595 million ($0.64 per common share) in the previous quarter. The decrease was primarily due to higher acquisition and divestiture costs and restructuring costs related to transactions in the U.S. segment, as well as higher realized losses from the sale of Europe surplus assets as discussed above. These items were partially offset by an increase in base earnings from growth in the U.S. segment from the Prudential and MassMutual acquisitions and from Capital and Risk Solutions structured reinsurance business, higher net investment results, and improved mortality experience. Also included in net earnings was a net loss from discontinued operations of $4 million compared to $19 million in the previous quarter.

Items Excluded from Base Earnings
Market Experience Relative to Expectations
In the regions where the Company operates, average equity market indices for the three months ended June 30, 2023 were up by 3% in the U.S. (as measured by S&P 500), down 2% in Canada (as measured by S&P TSX), up 3% in the U.K. (as measured by FTSE 100) and 17% in broader Europe (as measured by EURO STOXX 50)

compared to the same period in 2022. The major equity indices finished the second quarter of 2023 up 2% in broader Europe and 8% in the U.S., unchanged in Canada and down 1% in the U.K. compared to March 31, 2023.

Market experience relative to expectations, which are reflected in the net investment result of the Company's consolidated statement of earnings, negatively impacted net earnings by $79 million in the second quarter of 2023 (positive impact of $79 million in the second quarter of 2022), reflecting the impact of lower returns than expected on real estate assets and public equity assets held in Canada. There were offsetting impacts in net earnings arising from interest rate movements, including spread movements, in the second quarter of 2023. The rise in interest rates within the U.K. led to a positive earnings impact as liabilities decreased by more than their supporting assets, whereas the interest rate movements within Canada led to a negative earnings impact as liabilities decreased by less than their supporting assets.

For the six months ended June 30, 2023, market experience relative to expectations negatively impacted net earnings by $247 million (positive impact of $765 million year-to-date in 2022). The 2023 year-to-date negative impact was primarily due to lower returns than expected on real estate assets and public equity assets held in Canada, as well as interest rate movements in Canada, partially offset by the rise in interest rate movement within the U.K.

In order to mitigate the Company's exposure to interest rate fluctuations, the Company follows disciplined processes for matching asset and liability cash flows. As a result, the impact of changing interest rates is mostly mitigated in the current period, with the impact of changes in fair values of bonds backing insurance contract liabilities mostly offset by a corresponding change in the insurance contract liabilities. However, differences in the interest rate sensitivity in the value of assets and the value of insurance and investment contract liabilities leads to a sensitivity to interest rate movements in net earnings under IFRS 17 and IFRS 9, due to the Company’s asset liability management strategies and accounting policy choices. These choices include consideration of the impact on regulatory capital, which can result in increased net earnings sensitivity, but decreased capital sensitivity. For example, the Company’s asset liability management strategy uses equities and other non-fixed income assets as a component of general fund assets supporting liabilities, which leads to interest rate exposure in the net earnings; and the classification of financial assets under IFRS 9, for example, mortgage assets which are valued at amortized cost and held in the general fund assets supporting liabilities, also contributes to interest rate exposure in net earnings. Furthermore, sensitivities to interest rate movements vary depending upon the geography where the changes occur and the level of change in interest rates by term.

For a further description of the Company's sensitivity to equity market and interest rate fluctuations, including sensitivity disclosures as a result of current market conditions, refer to "Financial Instruments Risk Management", note 6 to the Company's condensed consolidated interim unaudited financial statements for the period ended June 30, 2023.

Assumption Changes and Management Actions

Under IFRS 17, non-financial assumption changes and management actions on medium to long-term insurance contracts directly impact CSM, where CSM is held on the underlying contracts. There can also be net earnings impact from assumption changes and management actions, which can arise from financial assumption changes on certain products, non-financial assumption changes on group insurance and other short-term insurance contracts, and from interest rate effects arising from assumption changes and management actions which impact CSM.

For the three months ended June 30, 2023, assumption changes and management actions resulted in a negative net earnings impact of $4 million reflecting minor model refinements. This compares to a positive impact of $7 million for the previous quarter. In the second quarter of 2023, there was a decrease of $17 million in contractual service margin on non-participating business due to minor model refinements.

For the six months ended June 30, 2023, assumption changes and management actions resulted in a positive net earnings impact of $3 million, compared to negative $33 million for the same period in 2022. Additionally, assumption changes and management actions resulted in a decrease of $22 million in contractual service margin on non-participating business.

Other Items Excluded from Base Earnings

For the second quarter of 2023, acquisition and divestiture costs were $158 million compared to $57 million for the same quarter last year. The increase was primarily due to the agreement to sell Putnam Investments, an additional provision related to Empower's sale of substantially all of its individual life and annuity business in 2019 in the U.S. segment and costs from the sale of Canada Life U.K.'s onshore individual protection business in the Europe segment. Also included in the second quarter of 2023 were realized losses of $121 million related to the sale of Europe surplus assets measured at FVOCI as discussed earlier (see Base and Net Earnings). Restructuring and integration costs were $20 million, $24 million less compared to the same quarter last year, primarily related to higher integration costs related to the MassMutual and Personal Capital acquisitions in the same quarter last year. Amortization of acquisition-related finite life intangible assets of $36 million was comparable to the same quarter last year. The results from discontinued operations were a loss of $4 million compared to a loss of $7 million for the same quarter last year.

For the six months ended June 30, 2023, other items excluded from base earnings had a more negative impact compared to the same period last year, primarily due to the same reasons discussed for the in-quarter results.

Foreign Currency

The average currency translation rate for the second quarter of 2023 increased for the U.S. dollar, the euro, and the British pound compared to the second quarter of 2022. The overall impact of currency movement on the Company’s net earnings for the three months ended June 30, 2023 was an increase of $16 million (increase of $34 million year-to-date) compared to translation rates a year ago.

From March 31, 2023 to June 30, 2023, the market rates at the end of the reporting period used to translate the U.S. dollar and euro assets and liabilities to the Canadian dollar decreased, while the British pound increased. The movements in end-of-period exchange rates impact the translation of foreign operations, including related hedge activities, resulting in post-tax unrealized foreign exchange losses of $271 million in-quarter ($151 million net unrealized loss year-to-date) recorded in other comprehensive income. These post-tax unrealized foreign exchange losses represented a 1.2% decline in book value per share.

Translation rates for the reporting period and comparative periods are detailed in the "Translation of Foreign Currency" section.

LIFECO VALUE DRIVERS

As the Company is advancing its business strategy and driving momentum across the portfolio, it is enhancing its reporting and disclosures to provide greater clarity and transparency into how the Company is creating value for shareholders and growing the business. The result is that the Company is evolving the previous value-creation priorities to focus on three key value drivers for its business: Workplace Solutions, Wealth & Asset Management and Insurance & Risk Solutions.

The following table displays how the various business units in each operating segment have been aligned with value drivers at the consolidated Lifeco level. Accordingly, the Company has updated how it refers to the business units within the Canada, Europe and U.S. operating segments.

A description of the value drivers and a supplemental view of base earnings and other key performance indicators at the consolidated Lifeco level are provided below.

	Operating Segments[1]			
Value Drivers	**Canada**	**U.S.**	**Europe**	**Capital and Risk Solutions**
Workplace Solutions	Group Life & Health Group Retirement	Empower Defined Contribution	Group Life & Health Group Retirement	
Wealth & Asset Management	Individual Wealth Management	Empower Personal Wealth Asset Management[2]	Individual Wealth & Asset Management	
Insurance & Risk Solutions	Insurance & Annuities		Insurance & Annuities	Reinsurance

1 Certain business units have been realigned within operating segments to map consistently to value drivers
2 Includes results of PanAgora Asset Management which will be retained by the Company subsequent to the sale of Putnam Investments to Franklin Templeton. The transaction is expected to close in the fourth quarter of 2023, contingent on regulatory and other customary conditions.

Workplace Solutions

The Company has built millions of trusted relationships with customers through Workplace Solutions. These relationships are based on the consistent delivery of health and wellness benefits, as well as retirement solutions that are delivered at scale through employer sponsored plans as a core part of the business. The Company is also building lifetime customer relationships through a focus on deepening the advice and solutions to better meet customers' retirement, investment and wellness needs.

Selected Results

Workplace Solutions

	For the three months ended			For the six months ended	
	June 30 2023	March 31 2023	June 30 2022 (Restated)[3]	**June 30 2023**	June 30 2022 (Restated)
Base earnings (loss)[1]	**$ 454**	$ 445	$ 443	**$ 899**	$ 753
Retirement net cash flows[2,3,4]	**4,388**	9,909	(5,699)	**14,297**	30,324
Fee and other income[4]	**1,067**	1,019	949	**2,086**	1,768
Group Life & Health book premiums[2]	**15,067**	14,813	13,859		

1 This metric is a non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures and Ratios" section of this document for additional details.
2 Refer to the "Glossary" section of this document for additional details on the composition of this measure.
3 Comparative results for the period ended June 30, 2022 do not include $403.3 billion (US$315.1 billion) in transfers related to the Prudential acquisition.
4 Comparative results are restated due to reclassifications between Lifeco's Value Drivers in the Europe segment.

Workplace Solutions base earnings for the second quarter of 2023 of $454 million increased by $11 million compared to the same quarter last year. The increase was primarily due to higher contributions from investment experience, partially offset by favourable group morbidity experience in the same quarter last year that did not repeat in the Canada segment and less favourable health and disability claims experience in the Europe segment.

For the six months ended June 30, 2023, Workplace Solutions base earnings of $899 million increased by $146 million compared to the same period last year. The increase was primarily due to an increase of $55 million (US$41 million) related to the Prudential acquisition including expense synergies, realized synergies from the MassMutual acquisition, higher contributions from investment experience and more favourable group insurance long term disability morbidity experience and pricing actions in Group Life and Health business.

Net cash inflows for the second quarter of 2023 of $4.4 billion increased by $10.1 billion compared to the same quarter last year, primarily due to higher deposits and lower withdrawals in Empower Defined Contribution, lower mutual fund withdrawals in the Canada segment and the impact of currency movement.

For the six months ended June 30, 2023, net cash inflows of $14.3 billion decreased by $16.0 billion compared to the same period last year, primarily due to the same reason discussed for the in-quarter results as well as lower inflows from Empower Defined Contribution as there were four large plan sales in the first quarter of 2022 contributing US$25.1 billion in assets compared to US$3.1 billion in large plan sales in the first quarter of 2023.

Fee and other income for the second quarter of 2023 of $1,067 million increased by $118 million compared to the same quarter last year, primarily due to growth in Administrative Services Only ("ASO") fees in the Canada segment, increased participants and favourable equity markets in the U.S. segment and higher group insurance fees in the Europe segment.

For the six months ended June 30, 2023, fee and other income of $2,086 million increased by $318 million compared to the same period last year, primarily due to fee income related to the Prudential acquisition as well as the reasons discussed for the in-quarter results.

Group Life & Health book premiums at June 30, 2023 were $15,067 million, an increase of $254 million compared to March 31, 2023, primarily due to organic growth of in-force business and impact of currency movement.

Wealth & Asset Management

In partnership with over 234,000 advisor relationships globally, the Company is delivering targeted and sophisticated solutions supported by personalized advice to meet customers' most complex personal wealth needs. The approach is enabled through investments in technology platforms and in market leading managed solutions to help advisors continue to meet the evolving needs of customers.

Selected Results

Wealth & Asset Management	As at or for the three months ended			For the six months ended	
	June 30 2023	March 31 2023[3]	June 30 2022 (Restated)	**June 30 2023**	June 30 2022 (Restated)
Base earnings (loss)[1,3]	**$ 119**	$ 119	$ 134	**$ 238**	$ 248
Wealth net cash flows[2,3,4,5]	**1,788**	6,090	630	**7,878**	5,862
Fee and other income[3,5]	**384**	372	358	**756**	721
CSM, segregated fund products	**3,302**	3,355	3,203		

1 This metric is a non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures and Ratios" section of this document for additional details.
2 Refer to the "Glossary" section of this document for additional details on the composition of this measure.
3 Comparative results are restated to exclude net earnings (losses), net cash flows and fee and other income from discontinued operations related to Putnam Investments.
4 Comparative results for the period ended June 30, 2022 do not include $7.8 billion (US$6.1 billion) in transfers related to the Prudential acquisition.
5 Comparative results are restated due to reclassifications between Lifeco's Value Drivers in the Europe segment.

Wealth & Asset Management base earnings for the second quarter of 2023 of $119 million decreased by $15 million compared to the same quarter last year. The decrease was primarily due to lower segregated fund and proprietary mutual fund sales in the Canada segment and lower returns on non-fixed income assets in the Europe segment.

These items were partially offset by increased fees driven by higher average equity markets and transaction volumes in the U.S. segment.

For the six months ended June 30, 2023, Wealth & Asset Management base earnings of $238 million decreased by $10 million compared to the same period last year. The decrease was primarily due to lower segregated fund and proprietary mutual fund sales in the Canada segment and lower returns on non-fixed income assets in the Europe segment. These items were partially offset by $20 million (US$15 million) related to the Prudential acquisition, increased fees driven by higher average equity markets and transaction volumes in the U.S. segment as well as the impact of currency movements.

Net cash inflows for the second quarter of 2023 were $1,788 million compared to net inflows of $630 million for the same quarter last year, primarily driven by higher wealth fund management sales in Ireland in the Europe segment and the impact of currency movement.

For the six months ended June 30, 2023, net cash inflows were $7,878 million compared to net inflows of $5,862 million for the same period last year, primarily due to the same reasons discussed for the in-quarter results.

Fee and other income for the second quarter of 2023 of $384 million increased by $26 million compared to the same quarter last year, primarily due to asset growth in the Canada and Europe segments.

For the six months ended June 30, 2023, fee and other income of $756 million increased by $35 million compared to the same period last year, primarily due to the reasons discussed for the in-quarter results, partially offset by lower management fees in the Europe segment.

Closing CSM for segregated fund products for the second quarter of 2023 of $3,302 million decreased by $53 million compared to the first quarter of 2023, primarily due to impacts of market movements in all regions driven by equity market growth relative to expectation, partially offset by organic CSM movement.

Insurance & Risk Solutions

The Company has a strong and stable insurance base which helps produce capital that is invested in areas of opportunity for growth. Additionally, with its sophisticated risk and capital management expertise, the Company is helping organizations manage their risks and deliver sustainable customer solutions. By leveraging this expertise, Lifeco is diversifying its portfolio, offsetting or counterbalancing risks and creating value for stakeholders including strong financial performance.

Selected Results

Insurance & Risk Solutions	As at or for the three months ended			For the six months ended	
	June 30 2023	March 31 2023	June 30 2022 (Restated)	**June 30 2023**	June 30 2022 (Restated)
Base earnings (loss)[1]	**$ 377**	$ 292	$ 322	**$ 669**	$ 616
New business non-participating CSM, excluding segregated fund products	**85**	59	71	**144**	167
Non-participating CSM, excluding segregated fund products	**5,896**	5,867	5,713		

[1] This metric is a non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures and Ratios" section of this document for additional details.

Insurance & Risk Solutions base earnings for the second quarter of 2023 of $377 million increased by $55 million compared to the same quarter last year. The increase was primarily due to favourable expected investment earnings and structured reinsurance business earnings, partially offset by unfavourable experience in U.S. life reinsurance business.

For the six months ended June 30, 2023, Insurance & Risk Solutions base earnings of $669 million increased by $53 million compared to the same period last year. The increase was primarily due to the same reasons discussed for the in-quarter results and changes to certain tax estimates in the Europe segment in the first quarter of 2023.

Insurance & Risk Solutions new business non-participating CSM, excluding segregated fund products, for the second quarter of 2023 of $85 million increased by $14 million compared to the same quarter last year. The increase was primarily due to business growth in the Europe segment, partially offset by lower new business growth in the longevity reinsurance portfolio.

For the six months ended June 30, 2023, new business non-participating CSM, excluding segregated fund products, of $144 million decreased by $23 million. The decrease was primarily due to lower new business growth in the longevity reinsurance portfolio.

Ending non-participating CSM, excluding segregated fund products, for the second quarter of 2023, excluding participating and segregated fund products, of $5,896 million was comparable to the first quarter of 2023.

STATEMENT OF EARNINGS

The following discussion sections reflect the statement of earnings presentation under IFRS 17 which provides a picture of profit sources. For insurance contracts, at a high level, the impacts of insurance performance are presented separately from financial risks and investment income, through the Insurance Service Result and Net Investment Result, respectively. Other businesses such as Group Retirement, Group Administrative Services Only and Wealth & Asset Management are presented through Other Income and Expenses.

INSURANCE SERVICE RESULT

Insurance service result depicts the profit earned from providing insurance coverage and comprises the combined impact of insurance revenue, insurance expenses and net expenses from reinsurance contracts held. Insurance revenue reflects the consideration to which the insurer expects to be entitled in exchange for insurance services provided on an earned basis. Insurance expenses include incurred claims and other operating expenses directly attributable to the insurance contracts the Company issues. Net expenses from reinsurance contracts held represents the combined impact of allocated reinsurance premiums paid to and amounts recovered from reinsurers by the Company.

Insurance service result

	For the three months ended			For the six months ended	
	June 30 2023	March 31 2023	June 30 2022 (Restated)	**June 30 2023**	June 30 2022 (Restated)
Insurance service result					
Canada	**$ 354**	$ 341	$ 388	**$ 695**	$ 695
United States	**15**	17	9	**32**	16
Europe	**132**	182	190	**314**	365
Capital and Risk Solutions	**202**	160	211	**362**	403
Total insurance service result	**$ 703**	$ 700	$ 798	**$ 1,403**	$ 1,479

Insurance service result for the second quarter of 2023 of $703 million decreased by $95 million compared to the second quarter of 2022. The decrease was primarily due to strong group health morbidity experience in 2022 in the Canada segment that did not repeat and less favourable health and disability claims experience in the Europe segment. The decrease was partially offset by increased earnings from structured reinsurance business in the Capital and Risk Solutions segment.

For the six months ended June 30, 2023, insurance service result of $1,403 million decreased by $76 million compared to the same period in 2022. The decrease was primarily due to unfavourable morbidity experience in the Europe segment. The decrease was partially offset by increased earnings on short-term insurance contracts in the Capital and Risk Solutions segment and a reinsurance settlement gain in the Europe segment.

NET INVESTMENT RESULT

Net investment result can be analyzed in three parts in the table below:

Net investment income - investment income earned from managing the Company's invested assets net of expenses, allowances for credit losses and realized gains (losses);

Changes in fair value through profit and loss (FVTPL) - change of the carrying value of invested assets measured at FVTPL on the balance sheet; and

Net finance income/(expense) from insurance and reinsurance contracts and changes in investment contract liabilities - changes in insurance, reinsurance, and investment contract liabilities on the balance sheet due to financial risks. This includes the effect of the passage of time (interest accretion), changes in the time value of money and the effect of financial risk and changes in financial risk, including the effects of discount rates and other financial assumptions on valuing the Company's insurance and investment contract liabilities.

Net investment result

	For the three months ended			For the six months ended	
	June 30 2023	March 31 2023	June 30 2022 (Restated)	**June 30 2023**	June 30 2022 (Restated)
Investment income earned (net of investment properties expenses)[1]	**$ 2,269**	$ 2,181	$ 2,082	**$ 4,450**	$ 3,620
Net allowances for credit losses	**—**	1	(11)	**1**	(11)
Net realized gains (losses)	**(170)**	(36)	(13)	**(206)**	(17)
Regular investment income[1]	**2,099**	2,146	2,058	**4,245**	3,592
Investment expenses	**(38)**	(45)	(58)	**(83)**	(110)
Net investment income[1]	**2,061**	2,101	2,000	**4,162**	3,482
Changes in fair value through profit or loss[1]	**(2,668)**	3,572	(13,660)	**904**	(24,952)
Total net investment income[1]	**$ (607)**	$ 5,673	$ (11,660)	**$ 5,066**	$ (21,470)
Net finance expenses from insurance contracts	**631**	(3,570)	9,013	**(2,939)**	17,240
Net finance income from reinsurance contracts	**(6)**	93	(544)	**87**	(997)
Changes in investment contract liabilities	**286**	(1,882)	3,775	**(1,596)**	6,965
Total net investment result[1]	**$ 304**	$ 314	$ 584	**$ 618**	$ 1,738
Segments:					
Canada	**$ (103)**	$ (23)	$ 101	**$ (126)**	$ 426
United States[1]	**316**	356	263	**672**	454
Europe	**70**	(58)	175	**12**	705
Capital and Risk Solutions	**12**	42	20	**54**	116
Lifeco Corporate	**9**	(3)	25	**6**	37
Total net investment result[1]	**$ 304**	$ 314	$ 584	**$ 618**	$ 1,738

[1] Q1 2023 and prior period results are restated to exclude net investment result from discontinued operations related to Putnam Investments.

Total net investment result in the second quarter of 2023 decreased by $280 million compared to the same quarter last year. Net investment income increased primarily due to higher interest rates in all segments and higher volumes at Empower, partly offset by impacts of net realized OCI losses from asset rebalancing in Europe in the second quarter of 2023.

There were partially offsetting impacts on assets and liabilities that are reflected in net earnings arising from interest rate movements, including spread movements, in the second quarter of 2023. The rise in interest rates within the U.K. led to a positive earnings impact as liabilities decreased by more than their supporting assets, whereas the interest rate movements within Canada led to a negative earnings impact as liabilities decreased by less than their supporting assets.

For the six months ended June 30, 2023, total net investment result decreased by $1,120 million compared to the same period last year, primarily due to the same reasons discussed for the in-quarter results.

Credit Markets
In the second quarter of 2023, the Company experienced credit-related charges in net investment result, which negatively impacted common shareholders' net earnings by $10 million, primarily due to charges on impaired corporate bonds.

For the six months ended June 30, 2023, the Company experienced credit-related charges in net investment result, which negatively impacted common shareholders' net earnings by $12 million, primarily due to the same reasons discussed for the in-quarter results.

FEE AND OTHER INCOME
In addition to providing traditional risk-based insurance products, the Company also provides certain products on a fee-for-service basis. The most significant of these products are segregated funds and mutual funds, for which the Company earns investment management fees on assets managed and other fees, as well as administrative services only (ASO) contracts, under which the Company provides group benefit plan administration on a cost-plus basis.

Fee and other income[1]	For the three months ended			For the six months ended	
	June 30 2023	March 31 2023	June 30 2022 (Restated)	**June 30 2023**	June 30 2022 (Restated)
Canada	**$ 341**	$ 325	$ 302	**666**	612
United States[1]	**921**	887	823	**1,808**	1,508
Europe	**200**	186	190	**386**	383
Capital and Risk Solutions	**4**	2	2	**6**	3
Total fee and other income[1]	**$ 1,466**	$ 1,400	$ 1,317	**$ 2,866**	$ 2,506

[1] Q1 2023 and prior period results are restated to exclude fee and other income from discontinued operations related to Putnam Investments.

The information in the table above is a summary of gross fee and other income for the Company. Additional commentary regarding fee and other income is included, as applicable, in the "Segmented Operating Results" section.

EXPENSES

Expenses shown below are represented in the Company's consolidated statement of earnings by either insurance service expense or in other income and expenses depending on whether or not those expenses are directly attributable to the Company's insurance businesses.

Expenses[1]

	For the three months ended			For the six months ended	
	June 30 2023	March 31 2023	June 30 2022 (Restated)	**June 30 2023**	June 30 2022 (Restated)
Insurance service operating and administrative expenses[2]	**$ 405**	$ 448	$ 444	**$ 853**	$ 883
Other operating and administrative expenses	**1,571**	1,529	1,468	**3,100**	2,707
Total operating and administrative expenses	**$ 1,976**	$ 1,977	$ 1,912	**$ 3,953**	$ 3,590
Amortization of acquisition-related finite life intangible assets	**49**	43	49	**92**	84
Amortization of software finite life intangible assets	**48**	47	40	**95**	85
Financing charges	**104**	115	95	**219**	183
Restructuring and integration expenses	**19**	26	60	**45**	77
Total	**$ 2,196**	$ 2,208	$ 2,156	**$ 4,404**	$ 4,019

1 Q1 2023 and prior period results are restated to exclude expenses from discontinued operations related to Putnam Investments.
2 Excluded from the above table, but included in insurance service expenses for the six months ended June 30, 2023, are $7.1 billion ($6.4 billion for the period ended June 30, 2022) primarily relating to claims and benefits paid, adjustments to the liability for incurred claims and losses (reversal of losses) on onerous insurance contracts and assets for insurance acquisition cash flows. Refer to note 9 of the Company's condensed consolidated interim unaudited financial statements for the period ended June 30, 2023 for additional detail.

In the second quarter of 2023, expenses increased by $40 million to $2,196 million compared to the same quarter last year, primarily due to higher operating and administrative expenses driven by onboarding the Canada Federal Government PSHCP and associated technology expenses in the Canada segment. Restructuring and integration expenses were lower compared to the same quarter last year, primarily due to lower integration costs related to the Prudential and MassMutual acquisitions.

For the six months ended June 30, 2023, expenses increased by $385 million to $4,404 million compared to the same period last year, primarily due to higher operating and administrative expenses driven by the acquisition of Prudential's retirement services business. In addition, expenses in the Canada segment were higher driven by onboarding the Canada Federal Government PSHCP and associated technology expenses. Financing charges were higher compared to the same period last year driven by the issuance of a €500 million euro bond on November 16, 2022. Restructuring and integration expenses decreased compared to the same period last year, primarily due to lower integration costs related to the Prudential and MassMutual acquisitions.

INCOME TAXES

The Company's effective income tax rate on earnings attributable to common shareholders and total Lifeco earnings are presented below.

Effective income tax rate	For the three months ended			For the six months ended	
	June 30 2023	March 31 2023[2]	June 30 2022[2]	**June 30 2023**	June 30 2022[2]
Base earnings - Common shareholders[1]	**15.6 %**	10.8 %	10.1 %	**13.4 %**	9.7 %
Net earnings - Common shareholders	**12.0 %**	6.5 %	13.2 %	**9.2 %**	14.2 %
Net earnings - Total Lifeco	**8.2 %**	4.6 %	12.5 %	**6.4 %**	12.8 %

[1] This metric is a non-GAAP ratio. Refer to the "Non-GAAP Financial Measures and Ratios" section of this document for additional details.
[2] The effective income tax rates for the comparative figures have been restated to reflect the adoption of IFRS 17 and IFRS 9 and to exclude discontinued operations related to Putnam Investments from earnings.

The Company's effective income tax rate is generally lower than the statutory income tax rate of 28.0% due to benefits related to non-taxable investment income and lower income tax in certain foreign jurisdictions.

In the second quarter of 2023, the effective income tax rate on base earnings for the common shareholders of 15.6% was up from 10.1% in the second quarter of 2022, primarily due to jurisdictional mix of earnings and changes in certain tax estimates. In the second quarter of 2023, the effective income tax rate on net earnings for the common shareholders of 12.0% was down from 13.2% in the second quarter of 2022, primarily due to changes in certain tax estimates.

In the second quarter of 2023, the overall effective income tax rate on net earnings of 8.2%, was down from 12.5% in the second quarter of 2022, primarily due to higher non-taxable investment income and jurisdictional mix of earnings.

The Company had an effective income tax rate on base earnings for the common shareholders of 13.4% for the six months ended June 30, 2023, which was up from 9.7% for the same period last year, primarily due to jurisdictional mix of earnings. The Company had an effective income tax rate on net earnings for the common shareholders of 9.2%, down from 14.2% for the same period last year, primarily due to jurisdictional mix of earnings.

The Company had an overall effective income tax rate on net earnings of 6.4% for the six months ended June 30, 2023 down from 12.8% for the same period last year, primarily due to the same reasons discussed for the in-quarter overall effective income tax rate results.

Refer to note 17 to the Company's condensed consolidated interim unaudited financial statements for the period ended June 30, 2023 for further details.

In December 2021, the Organization for Economic Co-operation and Development (OECD) published model rules outlining a structure for a new global minimum tax regime to be implemented by participating countries at an agreed future date, currently expected (for most countries) to be 2024. Detailed commentary on the rules was released by the OECD during 2022. In the March 2023 federal budget, the Canadian government confirmed its commitment to implement the global minimum tax with effect for fiscal years that begin on or after December 31, 2023. In December 2022, the European Union adopted a directive that member countries must enact the 15% minimum tax into their national laws by end of 2023. In June 2023, the U.K. substantively enacted legislation to implement the minimum tax effective for 2024. At this point, the countries where the Company currently operates, other than the U.S., have all indicated their participation. A number of these countries currently operate at a lower tax rate than the proposed minimum and when legislation is enacted the Company expects an increase in the effective income tax rate. The Company is awaiting the legislation and detailed guidance to assess the full implications of the minimum tax regime.

SEGMENTED OPERATING RESULTS

The segmented operating results of Lifeco, including the comparative figures, are presented on an IFRS basis after capital allocation. Consolidated operating results for Lifeco comprise the net earnings of Canada Life (and its operating subsidiaries), Empower and Putnam (primarily reflected as discontinued operations), together with Lifeco's corporate results. The following sections analyze the performance of Lifeco's four major reportable segments: Canada, United States (U.S.), Europe and Capital and Risk Solutions.

TRANSLATION OF FOREIGN CURRENCY

For the United States, Europe and Capital and Risk Solutions segments, foreign currency assets and liabilities are translated into Canadian dollars at the market rate at the end of the financial period. All income and expense items are translated at an average rate for the period.

CANADA

The Canada segment of Lifeco includes the operating results of the Canadian businesses operated by Canada Life, together with an allocation of a portion of Lifeco's corporate results. The Canada business units align to Lifeco's Value Drivers and are included in the information below as follows:

- Workplace Solutions offers group life and health and group retirement products through employer sponsored plans and individual product solutions, including life, accidental death and dismemberment, disability, critical illness, health and dental protection, creditor insurance as well as retirement savings and income and annuity products and other specialty products to plan members.
- Individual Wealth Management provides personal wealth savings and income products.
- Insurance & Annuities offers life, disability and critical illness insurance products, as well as individual life annuities and single premium group annuities.

DEVELOPMENTS

- On April 3, 2023, Canada Life announced an agreement to acquire Investment Planning Counsel Inc. (IPC), a leading independent wealth management firm, from IGM Financial Inc. (IGM). This acquisition accelerates Canada Life's strategy of building a leading platform for independent advisors in Canada. With this acquisition, Canada Life will be one of the largest non-bank wealth management providers in Canada. Canada Life will acquire IPC for a total cash consideration of $575 million, subject to adjustments. Transaction and integration costs of $25 million pre-tax are expected over 18 months after the deal is closed. IGM is an affiliated company and a member of the Power Corporation group of companies. The transaction is expected to close in the fourth quarter of 2023 and is subject to customary closing conditions including regulatory approvals.
- On June 13, 2023, Canada Life announced an agreement to acquire Value Partners Group Inc. (Value Partners), a fast-growing Winnipeg-based investment firm serving clients with complex and sophisticated wealth needs. This acquisition accelerates Canada Life's strategy of building a leading wealth management platform for independent advisors. The acquisition will be financed with existing resources and is not expected to have a material impact on Canada Life's financial position. The transaction is expected to close by the end of 2023 and is subject to customary closing conditions including regulatory approvals (including from the Toronto Stock Exchange).
- Canada Life was awarded the Federal Government Dental Care benefits program in June 2023. This win extends a decades-long relationship in retaining the Public Service Dental Care Plan (PSDCP) for active employees and expands to include the retiree plan effective July 1, 2024. Overall, the program represents approximately $550 million in annual paid claims and supports the same 1.7 million Canadians as the Public Service Health Care Plan (PSHCP) onboarded on July 1, 2023.

SELECTED FINANCIAL INFORMATION - CANADA

	For the three months ended			For the six months ended	
	June 30 2023	March 31 2023	June 30 2022 (Restated)	**June 30 2023**	June 30 2022 (Restated)
Base earnings (loss)[1]					
Workplace Solutions	**$ 164**	$ 159	$ 213	**$ 323**	$ 323
Individual Wealth Management	**46**	61	52	**107**	95
Insurance & Annuities	**63**	43	65	**106**	128
Corporate	**10**	15	10	**25**	18
Base earnings (loss)[1]	**$ 283**	$ 278	$ 340	**$ 561**	$ 564
Items excluded from base earnings					
Market experience relative to expectations[2]	**$ (129)**	$ (43)	$ 35	**$ (172)**	$ 261
Assumption changes and management actions[2]	**1**	2	(9)	**3**	(11)
Amortization of acquisition-related finite life intangibles	**(5)**	(4)	(4)	**(9)**	(9)
Acquisition and divestiture costs	**(2)**	—	—	**(2)**	—
Net earnings	**$ 148**	$ 233	$ 362	**$ 381**	$ 805
Sales[2]					
Group Life & Health	**$ 108**	$ 180	$ 101	**$ 288**	$ 356
Group Retirement	**633**	758	576	**1,391**	1,530
Workplace Solutions	**741**	938	677	**1,679**	1,886
Individual Wealth Management	**2,174**	2,658	2,317	**4,832**	5,230
Insurance & Annuities	**154**	156	226	**310**	409
Net cash flows[2]					
Group Retirement	**$ 157**	$ 418	$ 86	**$ 575**	$ 627
Individual Wealth Management	**(524)**	(437)	(412)	**(961)**	(239)
Net cash flows[2]	**$ (367)**	$ (19)	$ (326)	**$ (386)**	$ 388
Fee and other income					
Workplace Solutions	**$ 240**	$ 228	$ 205	**$ 468**	$ 414
Individual Wealth Management	**92**	90	89	**182**	182
Corporate	**9**	7	8	**16**	16
Fee and other income	**$ 341**	$ 325	$ 302	**$ 666**	$ 612
Group Life & Health book premiums[2]	**$ 12,761**	$ 12,583	$ 11,808		
Total assets	**$ 196,673**	$ 196,302			
Other assets under management[2,3]	**3,971**	3,960			
Total assets under management[1]	**200,644**	200,262			
Other assets under administration[2]	**27,362**	26,989			
Total assets under administration[1]	**$ 228,006**	$ 227,251			
Contractual service margin					
Individual Wealth Management - Segregated Funds	**$ 1,912**	$ 1,903	$ 1,918		
Insurance & Annuities - Non-Participating	**1,213**	1,268	1,646		
Insurance & Annuities - Participating	**3,241**	3,161	3,224		
Contractual service margin	**$ 6,366**	$ 6,332	$ 6,788		

1 This metric is a non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures and Ratios" section of this document for additional details.
2 Refer to the "Glossary" section of this document for additional details on the composition of this measure.
3 At June 30, 2023, Canada Life had $7.1 billion of proprietary mutual fund assets held by retail clients ($6.9 billion at December 31, 2022); however, $3.1 billion ($2.9 billion as at December 31, 2022) of these assets are consolidated as investments on account of segregated fund policyholders on the Company's balance sheet.

Base and net earnings

In the second quarter of 2023, the Canada segment's net earnings of $148 million decreased by $214 million compared to the same quarter last year. Base earnings of $283 million decreased by $57 million compared to the same quarter last year, primarily due to strong group health morbidity results in 2022 that did not repeat, partially offset by pricing and other management action taken, aided by higher interest rates and higher earnings on surplus in 2023.

Items excluded from base earnings were negative $135 million compared to positive $22 million for the same quarter last year. Market experience relative to expectations was negative $129 million in the second quarter of 2023 due to an increase in short term interest rates, and a decrease in long term interest rates including narrowing of credit spreads, and equity and real estate market movements. The positive $35 million in the same quarter last year was due to overall rising interest rates (both in the short and long term), which was offset by decreases in equity and real estate markets.

For the six months ended June 30, 2023, net earnings decreased by $424 million to $381 million compared to the same period last year. Base earnings of $561 million decreased by $3 million compared to the same period last year, primarily due to the same reasons discussed for the in-quarter results.

For the six months ended June 30, 2023, items excluded from base earnings were negative $180 million compared to positive $241 million for the same period last year. Market experience relative to expectations was negative $172 million compared to positive $261 million for the same period last year.

For the second quarter of 2023, the net earnings attributable to the participating account were $23 million compared to net earnings of $4 million for the same quarter last year, primarily driven by more favourable taxes and higher CSM recognition for services provided.

For the six months ended June 30, 2023, net earnings attributable to the participating account was $1 million compared to $31 million for the same period last year, primarily due to lower income on surplus. The decrease was partially offset by higher CSM recognition for services provided.

Sales

Group Life & Health sales for the second quarter of 2023 of $108 million increased by $7 million compared to the same quarter last year, primarily due to strong mid-market sales, partially offset by lower small case and national sales. Group Retirement sales for the second quarter of 2023 of $633 million increased by $57 million compared to the same quarter last year, primarily due to strong lump sum transfer activity. Individual Wealth Management sales for the second quarter of 2023 of $2,174 million decreased by $143 million compared to the same quarter last year, primarily due to lower segregated fund sales. Insurance & Annuities sales for the second quarter of 2023 of $154 million decreased by $72 million compared to the same quarter last year, primarily due to lower single premium group annuity sales, partially offset by higher individual life participating insurance sales.

For the six months ended June 30, 2023, Group Life & Health sales of $288 million decreased by $68 million compared to the same period last year, primarily due to lower industry-wide sales volumes in the national and mid-market segments. Group Retirement sales for the six months ended June 30, 2023 of $1,391 million decreased by $139 million compared to the same period last year, due to lower industry-wide sales volumes. Individual Wealth Management sales for the six months ended June 30, 2023 of $4,832 million decreased by $398 million compared to the same period last year, primarily due to lower segregated fund sales. Insurance & Annuities sales for the six months ended June 30, 2023 of $310 million decreased by $99 million compared to the same period last year, due to the same reasons discussed for the in-quarter results.

Group Life & Health book premiums

Group Life & Health book premiums at June 30, 2023 were $12,761 million, an increase of $178 million compared to March 31, 2023, primarily aided by growth in plan members as well as price increases to reflect inflation and claims trends.

Net cash flows
In the second quarter of 2023, net cash outflows were $367 million compared to net outflows of $326 million for the same quarter last year. The increase in net cash outflows was primarily due to higher withdrawals and lower deposits of individual segregated funds, partially offset by lower mutual fund withdrawals.

For the six months ended June 30, 2023, net cash outflows were $386 million compared to net inflows of $388 million for the same period last year. The decrease was primarily due to lower individual deposits as well as higher segregated fund withdrawals.

Fee and other income
Fee and other income for the second quarter of 2023 of $341 million increased by $39 million compared to the same quarter last year, primarily due to growth in ASO fees and higher assets in the wealth business.

Fee and other income for the six months ended June 30, 2023 of $666 million increased by $54 million compared to the same period last year, primarily due to the same reasons discussed for the in-quarter results.

Contractual service margin (CSM)
Contractual service margin at June 30, 2023 was $6,366 million, an increase of $34 million compared to March 31, 2023, primarily driven by changes in assumptions relating to Par.

UNITED STATES

The United States segment operating results for Lifeco include the results of Empower Annuity Insurance Company of America (Empower), PanAgora Asset Management and the results of the insurance businesses in the U.S. branch of Canada Life, together with an allocation of a portion of Lifeco's corporate results. The U.S. segment also includes the results of Putnam Investments classified as discontinued operations. The U.S. business units align to Lifeco's Value Drivers and are included in the information below as follows:

- Empower Defined Contribution helps people with saving, investing and advice through employer sponsored plans and individual product solutions. Empower Defined Contribution aligns with the Workplace Solutions value driver.
- Empower Personal Wealth offers retail wealth management products and services.
- Asset Management, which represents the results of PanAgora Asset management, provides investment management services and related administrative functions and distribution services and offers a broad range of investment products.
- Included in the Corporate business unit are a retained block of life insurance, predominately participating policies, which are now administered by Protective Life, as well as a closed life retrocession block. Items not associated directly with or allocated to Empower and Asset Management, including the impact of certain non-continuing items related to the U.S. segment are also included in the Corporate business unit.

DEVELOPMENTS
- On May 31, 2023, Lifeco announced an agreement to sell Putnam Investments to Franklin Resources, Inc., operating as Franklin Templeton. The total potential transaction consideration and retained value is estimated to be US$1.7-US$1.8 billion. Franklin Templeton will pay upfront consideration of US$950 million-US$1 billion consisting of 33.33 million Franklin Templeton shares at closing and US$100 million in cash 6 months after closing. Further consideration of up to US$375 million payable between 3 and 7 years is tied to the growth of the partnership. Lifeco will retain its controlling interest in PanAgora Asset Management, a leading quantitative asset manager, and realize the value of Putnam’s seed capital, which, together with closing adjustments, are estimated to be worth US$375-US$425 million. Lifeco will also retain certain deferred tax assets related to Putnam. Lifeco has agreed to retain shares representing approximately 4.9% of outstanding Franklin Templeton stock for a minimum 5-year period. The transaction is expected to close in the fourth quarter of 2023, subject to customary closing conditions including regulatory approvals. The transaction is not expected to result in a material gain or loss before transaction costs.

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

Empower

- On April 1, 2022, Empower completed the acquisition of the full-service retirement services business of Prudential Financial, Inc. (Prudential). With the completion of the acquisition, Empower's reach in the U.S. has expanded to approximately 82,000 workplace savings plans as of June 30, 2023.

  The Company funded the total transaction value of US$3,480 million with US$1,193 million of limited recourse capital notes and US$823 million of short-term debt, in addition to existing resources.

  Empower anticipates realizing cost synergies through the migration of Prudential's retirement services business onto Empower's recordkeeping platform. Estimated run-rate cost synergies of US$180 million are expected to be phased in over 24 months primarily when systems migrations are completed. As of June 30, 2023, US$57 million of pre-tax run rate cost synergies have been achieved. Revenue synergies of US$20 million are expected on a run-rate basis by the end of 2024 and are expected to grow to US$50 million by 2026.

  Empower expects to incur one-time integration and restructuring expenses of US$170 million pre-tax related to the Prudential acquisition, US$17 million pre-tax of which were incurred in the second quarter of 2023. The integration is expected to be completed in the first half of 2024.

(in US$ millions)	**For the three months ended**		**For the six months ended**	**Total expensed to date**
	June 30 2023	March 31 2023	**June 30 2023**	**June 30 2023**
Restructuring and integration (pre-tax)	**$ 17**	$ 17	**$ 34**	**$ 102**
Restructuring and integration (post-tax)	**13**	12	**25**	**76**

- Empower assets under administration (AUA) were US$1.5 trillion at June 30, 2023, an increase of US$0.2 trillion compared to June 30, 2022. Empower participant accounts have grown to 18.2 million at June 30, 2023, up from 17.4 million at June 30, 2022. The increase in AUA compared to June 30, 2022 was primarily the result of increased equity markets.

Asset Management

- Ending other assets under management (AUM) at June 30, 2023 of US$172.9 billion increased by US$5.9 billion compared to the same period last year, while average other AUM for the six months ended June 30, 2023 of US$168.9 billion decreased by US$16.9 billion compared to the same period last year. The increase in ending other AUM is primarily due to the impact of increasing equity market levels throughout 2023. The decrease in average other AUM for the six months ended June 30, 2023 is primarily due to higher beginning other AUM in the same period last year. Included in ending other AUM at June 30, 2023 is US$139.6 billion related to Putnam Investments.

SELECTED FINANCIAL INFORMATION - UNITED STATES

	For the three months ended			For the six months ended	
	June 30 2023	March 31 2023[3]	June 30 2022 (Restated)	**June 30 2023**	June 30 2022 (Restated)
Base earnings (loss) (US$)[1]					
Empower Defined Contribution	**$ 175**	$ 166	$ 122	**$ 341**	$ 233
Empower Personal Wealth	**37**	20	14	**57**	22
Asset Management[3]	**(1)**	(4)	(2)	**(5)**	(1)
Corporate	**(13)**	(19)	(6)	**(32)**	(15)
Base earnings (loss) (US$)	**$ 198**	$ 163	$ 128	**$ 361**	$ 239
Items excluded from base earnings (US$)					
Market experience relative to expectations[2]	**$ (3)**	$ (3)	$ (6)	**$ (6)**	$ (6)
Restructuring and integration costs	**(15)**	(14)	(34)	**(29)**	(43)
Acquisition and divestiture costs	**(90)**	—	(41)	**(90)**	(42)
Amortization of acquisition-related finite life intangibles	**(20)**	(18)	(23)	**(38)**	(38)
Discontinued operations - Asset Management[3]	**(3)**	(14)	(5)	**(17)**	(5)
Net earnings - common shareholders (US$)	**$ 67**	$ 114	$ 19	**$ 181**	$ 105
Base earnings (loss) (C$)[1,3]	**$ 265**	$ 218	$ 164	**$ 483**	$ 308
Net earnings - common shareholders (C$)	**$ 90**	$ 151	$ 23	**$ 241**	135
Net flows (US$)[2]					
Empower Defined Contribution[4]	**$ 2,762**	$ 6,914	$ (4,706)	**$ 9,676**	$ 22,602
Empower Personal Wealth[5]	**1,842**	3,143	2,257	**4,985**	4,939
Asset Management[3]	**(707)**	(589)	(1,291)	**(1,296)**	(1,615)
Net flows (US$)[2]	**$ 3,897**	$ 9,468	$ (3,740)	**$ 13,365**	$ 25,926
Net flows (C$)[2]	**$ 5,222**	$ 12,782	$ (4,787)	**$ 18,004**	$ 32,889
Fee and other income (US$)					
Empower Defined Contribution	**$ 570**	$ 548	$ 544	**$ 1,118**	$ 981
Empower Personal Wealth	**97**	88	79	**185**	154
Asset Management[3]	**21**	21	21	**42**	48
Fee and other income (US$)	**$ 688**	$ 657	$ 644	**$ 1,345**	$ 1,183
Fee and other income (C$)	**$ 921**	$ 887	$ 823	**$ 1,808**	$ 1,508
Total assets (US$)	**$ 227,492**	$ 224,773			
Other assets under administration[2]	**219,827**	212,995			
Total assets under management[1]	**447,319**	437,768			
Other assets under administration[2]	**1,183,399**	1,123,756			
Total assets under administration (US$)[1]	**$ 1,630,718**	$ 1,561,524			
Total assets under administration (C$)[1]	**$ 2,152,548**	$ 2,108,057			

1 This metric is a non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures and Ratios" section of this document for additional details.
2 Refer to the "Glossary" section of this document for additional details on the composition of this measure.
3 Comparative results are restated to exclude discontinued operations related to Putnam Investments.
4 Comparative results for the period ended June 30, 2022 do not include $403.3 billion (US$315.1 billion) in transfers related to the Prudential acquisition.
5 Comparative results for the period ended June 30, 2022 do not include $7.8 billion (US$6.1 billion) in transfers related to the Prudential acquisition.

Note: The United States segment does not have a material contractual service margin (CSM) balance.

Base and net earnings
In the second quarter of 2023, net earnings increased by US$48 million to US$67 million compared to the same quarter last year. Base earnings of US$198 million increased by US$70 million compared to the same quarter last year, primarily due to an increase of US$76 million related to higher contributions from investment experience and increased fees driven by higher average equity markets and transaction volumes in Empower as well as lower expenses due to synergies achieved on recent acquisitions.

Items excluded from base earnings were negative US$131 million compared to negative US$109 million for the same quarter last year. Acquisition and divestiture costs were negative US$90 million in the second quarter of 2023 compared to negative US$41 million in the same quarter last year. The change was primarily due to divestiture costs in the second quarter of 2023 related to the agreement to sell Putnam Investments and an additional provision related to Empower's sale of substantially all of its individual life and annuity business in 2019. Restructuring and integration costs were US$15 million in the second quarter of 2023 compared to US$34 million in the same quarter last year, primarily due to lower integration costs related to the Prudential and MassMutual acquisitions.

For the six months ended June 30, 2023, net earnings increased by US$76 million to US$181 million compared to the same period last year. Base earnings of US$361 million increased by US$122 million compared to the same period last year, primarily due an increase of US$56 million related to the Prudential acquisition as well as the same reasons discussed for the in-quarter results.

For the six months ended June 30, 2023, items excluded from base earnings decreased to negative US$180 million compared to negative US$134 million for the same period last year. The decrease was primarily due to the same reasons discussed for the in-quarter results, partially offset by higher integration costs related to the Prudential acquisition in the first quarter of 2023.

Net flows
In the second quarter of 2023, net inflows were US$3.9 billion compared to net outflows of US$3.7 billion for the same quarter last year, primarily due to higher deposits and lower withdrawals in Empower Defined Contribution and the impact of currency movement.

For the six months ended June 30, 2023, net inflows were US$13.4 billion compared to net inflows of US$25.9 billion for the same period last year. The decrease was primarily due to lower inflows in Empower Defined Contribution as there were four large plan sales in the first quarter of 2022 contributing US$25.1 billion in assets compared to US$3.1 billion in large plan sales in the first quarter of 2023.

Fee and other income
Fee income is derived primarily from assets under management, assets under administration, shareholder servicing fees, administration and recordkeeping services, investment advisory services, investment management fees, performance fees, transfer agency and other service fees, as well as underwriting and distribution fees.

Fee and other income for the second quarter of 2023 of US$688 million increased by US$44 million compared to the same quarter last year. The increase was primarily due to an increase of US$44 million related to increased participants and higher equity market levels in Empower Defined Contribution and asset growth in Empower Personal Wealth.

Fee and other income for the six months ended June 30, 2023 of US$1,345 million increased by US$162 million compared to the same period last year. The increase was primarily due to the same reasons discussed for the in-quarter results as well as Prudential related fee income of US$142 million in the first quarter of 2023.

EUROPE

The Europe segment is comprised of three distinct business units serving customers in the United Kingdom (U.K.), Ireland and Germany. The Company operates under the Canada Life brand in the U.K. and Germany and under the Irish Life brand in Ireland. The Europe business units align to Lifeco's Value Drivers and are included in the information below as follows:

- Workplace Solutions consists of group life and health insurance business in the U.K. and Ireland as well as group retirement and insurance brokerage services in Ireland.
- Individual Wealth & Asset Management consists of investments products (including life bonds, retirement drawdown and pension) offered in the U.K., pension, savings and investment products offered in Ireland and pension products offered in Germany.
- Insurance & Annuities consists of bulk and individual payout annuities offered in the U.K and Ireland, equity release mortgages offered in the U.K., and individual insurance offered in Ireland and Germany.

DEVELOPMENTS

- In June 2023, AIB Life, the joint venture between Allied Irish Banks plc (AIB) and Canada Life Irish Holding Company Limited, officially launched. This new company uses modern technology that is fully cloud-based and integrated with AIB’s digital banking platform to help customers plan for and secure their financial futures.
- On May 16, 2023, Canada Life U.K. announced an agreement to sell its individual onshore protection business to Countrywide Assured plc (Countrywide), a subsidiary of Chesnara plc. Approximately 47,000 customer policies will transfer to Countrywide in 2024, subject to the completion of a court-approved transfer. This follows the Canada Life U.K. announcement that it closed onshore individual protection insurance to new business in November 2022. As a result of this agreement, divestiture costs of $29 million have been excluded from base earnings in the second quarter of 2023.
- In May 2023, Irish Life’s flagship Multi Asset Portfolios (MAPS) celebrated its 10-year anniversary, managing over €7 billion on behalf of 96,000 customers. MAPS is an Article 8 offering which has weathered the markets over the past decade by providing investors with diversified portfolio options.
- In May 2023, Canada Life U.K. wrote over £100 million of Individual Annuity new business (including Fixed Term Annuities). This was the strongest month for sales since the U.K. government implemented pension changes to provide greater pension freedom and flexibility in 2015. Annuity rates have improved in line with increases in interest rates which has made this product a more attractive option for retirement customers.
- During the second quarter of 2023, Irish Life's EMPOWER Master Trust reached €4 billion in assets under management. The master trust is the largest in Ireland, benefiting over 95,000 members by delivering a best-in-class member engagement program, responsible investment strategies and independent governance.

SELECTED FINANCIAL INFORMATION - EUROPE

	For the three months ended			For the six months ended	
	June 30 2023	March 31 2023	June 30 2022 (Restated)	**June 30 2023**	June 30 2022 (Restated)
Base earnings (loss)[1,4]					
Workplace Solutions	**$ 56**	$ 62	$ 74	**$ 118**	$ 132
Individual Wealth & Asset Management	**23**	36	67	**59**	127
Insurance & Annuities	**116**	96	68	**212**	125
Corporate	**(15)**	(16)	1	**(31)**	2
Base earnings (loss)[1,4]	**$ 180**	$ 178	$ 210	**$ 358**	$ 386
Items excluded from base earnings					
Market experience relative to expectations[2]	**$ 84**	$ (139)	$ 54	**$ (55)**	$ 442
Realized OCI gain / (losses) from asset rebalancing	**(121)**	—	—	**(121)**	—
Assumption changes and management actions[2]	**(1)**	5	(7)	**4**	(18)
Acquisition and divestiture costs	**(36)**	—	(4)	**(36)**	(10)
Amortization of acquisition-related finite life intangibles	**(4)**	(4)	(3)	**(8)**	(6)
Net earnings (loss) - common shareholders	**$ 102**	$ 40	$ 250	**$ 142**	$ 794
Sales[2]					
Workplace Solutions	**$ 740**	$ 439	$ 320	**$ 1,179**	$ 1,189
Wealth & Asset Management	**6,473**	6,944	4,710	**13,417**	11,059
Insurance & Risk Solutions	**791**	423	871	**1,214**	2,012
Net cash flows[2,4]					
Workplace Solutions	**$ 530**	$ 157	$ 239	**687**	1,040
Wealth & Asset Management	**$ 791**	$ 3,079	$ (195)	**$ 3,870**	$ 1,869
Insurance & Risk Solutions	**20**	22	25	**42**	49
Net cash flows[2,4]	**$ 1,341**	$ 3,258	$ 69	**$ 4,599**	$ 2,958
Fee and other income[4]					
Workplace Solutions	**$ 64**	$ 51	$ 50	**$ 115**	$ 105
Individual Wealth & Asset Management	**134**	135	140	**269**	280
Insurance & Annuities and Corporate	**2**	—	—	**2**	(2)
Fee and other income[4]	**$ 200**	$ 186	$ 190	**$ 386**	$ 383
Group Life & Health book premiums[2]	**$ 2,306**	$ 2,230	$ 2,051		
Total assets	**$ 184,354**	$ 182,867			
Other assets under administration[2]	**58,228**	56,858			
Total assets under management[1]	**242,582**	239,725			
Other assets under administration[2,3]	**11,555**	11,878			
Total assets under administration[1]	**$ 254,137**	$ 251,603			
Contractual service margin					
Individual Wealth & Asset Management - Segregated Funds	**$ 1,390**	$ 1,452	$ 1,285		
Insurance & Annuities - Non-Participating	**2,943**	2,837	2,467		
Contractual service margin	**$ 4,333**	$ 4,289	$ 3,752		

1 This metric is a non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures and Ratios" section of this document for additional details.
2 Refer to the "Glossary" section of this document for additional details on the composition of this measure.
3 At June 30, 2023, other assets under administration excludes $11.3 billion of assets managed for other business units within the Lifeco group of companies ($11.4 billion at March 31, 2023 and $9.6 billion at June 30, 2022).
4 Comparative results are restated due to reclassifications between Lifeco's Value Drivers.

Base and net earnings
In the second quarter of 2023, the Europe segment's net earnings of $102 million decreased by $148 million compared to the same quarter last year. Base earnings of $180 million decreased by $30 million compared to the same quarter last year, primarily due to less favourable health and disability claims experience in Workplace Solutions. The decrease was partially offset by favourable expected investment earnings in Insurance & Annuities and impact of currency movement.

Items excluded from base earnings for the second quarter of 2023 were negative $78 million compared to positive $40 million for the same quarter last year. The decrease was primarily due to realized OCI losses related to asset rebalancing to shorter duration assets in the surplus account as discussed in the discussion of Base and Net Earnings on page 8. Market experience relative to expectations was positive due to increasing risk-free interest rates in-quarter, partially offset by reductions in commercial property market values. The second quarter of 2023 also included a loss from the sale of Canada Life U.K.'s onshore individual protection business. The second quarter of 2022 included positive contributions from higher than expected non-fixed income (NFI) asset returns and higher credit spreads.

For the six months ended June 30, 2023, net earnings decreased by $652 million to $142 million compared to the same period last year. Base earnings of $358 million decreased by $28 million compared to the same period last year, primarily due to the same reasons discussed for the in-quarter results.

For the six months ended June 30, 2023, items excluded from base earnings decreased by $624 million to negative $216 million. The decrease was primarily due to realized losses from the sale of FVOCI assets as discussed for the in-quarter results, negative returns relative to expectations on non-fixed income assets, partially offset by the impact of increasing risk-free rates. The same period last year included positive contributions from higher than expected NFI asset returns and rising interest rates.

Sales
Wealth & Asset Management sales for the second quarter of 2023 of $6,473 million increased by $1,763 million compared to the same quarter last year, primarily due to higher wealth fund management sales in Ireland and impact of currency movement. Insurance & Risk Solutions sales for the second quarter of 2023 of $791 million decreased by $80 million compared to the same quarter last year, primarily due to lower equity release mortgage sales in the U.K., partially offset by individual annuity sales growth in the U.K., bulk annuity sales in Ireland and impact of currency movement. Workplace Solutions sales for the second quarter of 2023 of $740 million increased by $420 million compared to the same quarter last year, primarily due to pension sales growth in Ireland and the impact of currency movement.

Wealth & Asset Management sales for the six months ended June 30, 2023 of $13,417 million increased by $2,358 million compared to the same period last year, primarily due to the same reasons discussed for in-quarter results. Insurance & Risk Solutions sales for the six months ended June 30, 2023 of $1,214 million decreased by $798 million compared to the same period last year, primarily due to lower equity release mortgage sales and bulk annuity sales in the U.K., partially offset by the individual annuity sales growth in the U.K., bulk annuity sales in Ireland as well as impact of currency movement. Workplace Solutions sales for the six months ended June 30, 2023 of $1,179 million decreased by $10 million compared to the same period last year, primarily due to lower pension sales in Ireland, partially offset by impact of currency movement.

Group Life & Health book premiums
Group Life & Health book premiums at June 30, 2023 were $2.3 billion, an increase of $0.1 billion compared to March 31, 2023, primarily due to organic growth of in-force business and impact of currency movement.

Net cash flows
In the second quarter of 2023, net cash inflows were $1.3 billion compared to net inflows of $0.1 billion for the same quarter last year. The increase was primarily due to higher wealth fund management sales in Ireland.

For the six months ended June 30, 2023, net cash inflows were $4.6 billion compared to net inflows of $3.0 billion for the same period last year. The increase was primarily due to the same reasons discussed for in-quarter results.

Fee and other income
Fee and other income for the second quarter of 2023 increased by $10 million to $200 million compared to the same quarter last year, primarily due to higher group insurance fees in Workplace Solutions.

Fee and other income for the six months ended June 30, 2023 were comparable to the same period last year as higher group insurance fees in Workplace Solutions were mostly offset by lower management fees in Individual Wealth & Asset Management.

Contractual service margin
Contractual service margin at June 30, 2023 was $4,333 million, an increase of $44 million compared to March 31, 2023, primarily due to strong contributions of CSM from new business for non-participating products.

CAPITAL AND RISK SOLUTIONS

The Capital and Risk Solutions segment includes Lifeco's reinsurance business which operates primarily in the U.S., Barbados, Bermuda and Ireland, and includes an allocation of a portion of Lifeco's corporate results. Capital and Risk Solutions also includes the results for the segment's legacy international businesses.

At Lifeco, the Capital and Risk Solutions offerings are generally included as Insurance and Risk Solutions value driver. The segment's surplus earnings and an allocation of corporate capital are included in Corporate.

DEVELOPMENTS

- The Capital and Risk Solutions segment continued to grow by providing tailored solutions to customers while increasing diversification within the portfolio. In the second quarter of 2023, the Capital and Risk Solutions segment expanded its international presence in targeted new markets, including two transactions in Italy.

SELECTED FINANCIAL INFORMATION - CAPITAL AND RISK SOLUTIONS

	For the three months ended			For the six months ended	
	June 30 2023	March 31 2023	June 30 2022 (Restated)	**June 30 2023**	June 30 2022 (Restated)
Base earnings (loss)[1]					
Reinsurance	**$ 198**	$ 153	$ 189	**$ 351**	$ 363
Corporate	**5**	4	1	**9**	(2)
Base earnings (loss)[1]	**$ 203**	$ 157	$ 190	**$ 360**	$ 361
Items excluded from base earnings					
Market experience relative to expectations[2]	**$ (30)**	$ 27	$ (12)	**$ (3)**	$ 56
Assumption changes and management actions[2]	**(4)**	—	1	**(4)**	(4)
Net earnings - common shareholders	**$ 169**	$ 184	$ 179	**$ 353**	$ 413
Total assets[3]	**$ 8,687**	$ 9,240			
Contractual service margin					
Reinsurance - Non-Participating	**$ 1,740**	$ 1,762	$ 1,600		
Reinsurance - Participating	**24**	24	22		
Contractual service margin	**$ 1,764**	$ 1,786	$ 1,622		

1 This metric is a non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures and Ratios" section of this document for additional details.
2 Refer to the "Glossary" section of this document for additional details on the composition of this measure.
3 The Capital and Risk Solutions segment does not have assets under management or other assets under administration.

Base and net earnings

In the second quarter of 2023, the Capital and Risk Solutions segment's net earnings of $169 million decreased by $10 million compared to the same quarter last year. Base earnings of $203 million increased by $13 million compared to the same quarter last year, primarily due to favourable structured reinsurance business earnings and the impact of higher interest rates. The increase was partially offset by unfavourable experience in the U.S. life business.

Items excluded from base earnings were negative $34 million compared to negative $11 million for the same quarter last year driven by interest rate movements relative to expectations in the respective periods.

For the six months ended June 30, 2023, net earnings decreased by $60 million to $353 million compared to the same period last year. Base earnings of $360 million were comparable to the same period last year, as business growth and the impact of higher interest rates were mostly offset by unfavourable experience in the U.S. life business.

For the six months ended June 30, 2023, items excluded from base earnings decreased by $59 million to negative $7 million compared to the same period last year, primarily due to the same reason discussed for the in-quarter results.

Contractual service margin

Contractual service margin at June 30, 2023 was $1,764 million, a decrease of $22 million compared to March 31, 2023, primarily due to run-off and unfavourable experience exceeding new business impacts.

LIFECO CORPORATE

The Lifeco Corporate segment includes operating results for activities of Lifeco that are not associated with the major business units of the Company.

SELECTED FINANCIAL INFORMATION - LIFECO CORPORATE

	For the three months ended			For the six months ended	
	June 30 2023	March 31 2023	June 30 2022 (Restated)	**June 30 2023**	June 30 2022 (Restated)
Base earnings (loss)[1]	**$ (11)**	$ (5)	$ (1)	**$ (16)**	$ (4)
Items excluded from base earnings					
Market experience relative to expectations[2]	**—**	(8)	10	**(8)**	14
Net earnings (loss) - common shareholders	**$ (11)**	$ (13)	$ 9	**$ (24)**	$ 10

1 This metric is a non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures and Ratios" section of this document for additional details.
2 Refer to the "Glossary" section of this document for additional details on the composition of this measure.

In the second quarter of 2023, Lifeco Corporate had a net loss of $11 million compared to net earnings of $9 million for the same period last year. Base loss of $11 million increased by $10 million compared to the same quarter last year, primarily due to higher operating expenses.

Items excluded from base earnings for the second quarter of 2023 were nil compared to positive $10 million for the same quarter last year, primarily due to positive market experience relative to expectations in the second quarter of 2022.

For the six months ended June 30, 2023, Lifeco Corporate's net loss was $24 million compared to net earnings of $10 million for the same period last year. The base loss of $16 million increased by $12 million compared to the same period last year, primarily due to the same reason discussed for the in-quarter results.

For the six months ended June 30, 2023, items excluded from the base loss were negative $8 million compared to positive $14 million for the same period last year, primarily due to the same reason discussed for the in-quarter results.

CONSOLIDATED FINANCIAL POSITION

ASSETS

Assets under administration[1]

	As at June 30, 2023				
	Canada	**United States**	**Europe**	**Capital and Risk Solutions**	**Total**
Assets					
Invested assets	**$ 86,248**	**$ 86,298**	**$ 38,482**	**$ 8,400**	**$ 219,428**
Goodwill and intangible assets	**5,814**	**6,152**	**3,082**	**—**	**15,048**
Insurance contract assets	**420**	**272**	**297**	**101**	**1,090**
Reinsurance contract held assets	**1,183**	**11,827**	**3,635**	**133**	**16,778**
Other assets	**4,792**	**14,449**	**3,316**	**53**	**22,610**
Assets held for sale[3]	**—**	**4,433**	**—**	**—**	**4,433**
Investments on account of segregated fund policyholders	**98,216**	**176,858**	**135,542**	**—**	**410,616**
Total assets	**196,673**	**300,289**	**184,354**	**8,687**	**690,003**
Other assets under management[2]	**3,971**	**290,171**	**58,228**	**—**	**352,370**
Total assets under management[1]	**200,644**	**590,460**	**242,582**	**8,687**	**1,042,373**
Other assets under administration[2]	**27,362**	**1,562,088**	**11,555**	**—**	**1,601,005**
Total assets under administration[1]	**$ 228,006**	**$ 2,152,548**	**$ 254,137**	**$ 8,687**	**$ 2,643,378**

	As at December 31, 2022 (Restated)				
	Canada	United States	Europe	Capital and Risk Solutions	Total
Assets					
Invested assets	$ 85,343	$ 90,655	$ 38,652	$ 8,573	$ 223,223
Goodwill and intangible assets	5,789	7,973	3,079	—	16,841
Insurance contract assets	408	245	322	165	1,140
Reinsurance contract held assets	1,211	12,624	3,639	97	17,571
Other assets	3,682	18,430	3,297	140	25,549
Investments on account of segregated fund policyholders	93,816	166,274	127,792	—	387,882
Total assets	190,249	296,201	176,781	8,975	672,206
Other assets under management[2]	4,057	277,138	50,539	—	331,734
Total assets under management[1]	194,306	573,339	227,320	8,975	1,003,940
Other assets under administration[2]	26,344	1,426,834	11,345	—	1,464,523
Total assets under administration[1]	$ 220,650	$ 2,000,173	$ 238,665	$ 8,975	$ 2,468,463

1 This metric is a non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures and Ratios" section of this document for additional details.

2 Refer to the "Glossary" section of this document for additional details on the composition of this measure.

3 On May 31, 2023, Lifeco announced an agreement to sell Putnam Investments to Franklin Templeton. The transaction is expected to close in the fourth quarter of 2023, contingent on regulatory and other customary conditions. Beginning Q2 2023, the related assets have been classified as assets held for sale.

Total assets under administration (AUA) at June 30, 2023 increased by $174.9 billion to $2.6 trillion compared to December 31, 2022, primarily due to market movement and new business growth, partially offset by impact of currency movement.

INVESTED ASSETS

The Company manages its general fund assets to support the cash flow, liquidity and profitability requirements of the Company's insurance and investment products. The Company's investment policies are designed to be prudent and conservative, so that assets are not unduly exposed to concentration, credit or market risks. Within the framework of the Company's policies, the Company implements strategies and reviews and adjusts them on an ongoing basis considering liability cash flows and capital market conditions. The majority of investments of the general fund are in medium-term and long-term fixed-income investments, primarily bonds and mortgages, reflecting the characteristics of the Company's liabilities.

Bond portfolio – It is the Company's policy to acquire primarily investment grade bonds subject to prudent and well-defined investment policies. Modest investments in below investment grade rated securities may occur while not changing the overall discipline and conservative approach to the investment strategy. The total bond portfolio, including short-term investments, was $152.3 billion or 69% of invested assets at June 30, 2023 compared to $156.1 billion or 70% at December 31, 2022. The decrease in the bond portfolio was primarily due to net disposals and the impact of currency movement as the Canadian dollar strengthened against the U.S. dollar. The overall quality of the bond portfolio remained high, with 99% of the portfolio rated investment grade and 71% rated A or higher.

Bond credit ratings reflect bond rating agency activity up to June 30, 2023. Management continues to closely monitor bond rating agency activity and general market conditions.

Bond portfolio quality

	As at June 30, 2023		As at December 31, 2022 (Restated)	
AAA	**$ 24,000**	**16 %**	$ 25,397	16 %
AA	**30,764**	**20**	31,614	20
A	**53,102**	**35**	53,864	35
BBB	**42,725**	**28**	43,482	28
BB or lower	**1,734**	**1**	1,734	1
Total	**$ 152,325**	**100 %**	$ 156,091	100 %

At June 30, 2023, non-investment grade bonds were $1.7 billion or 1.1% of the bond portfolio compared to $1.7 billion or 1.1% of the bond portfolio at December 31, 2022.

Mortgage portfolio – It is the Company's practice to acquire high quality commercial mortgages meeting strict underwriting standards and diversification criteria. The Company has a well-defined risk-rating system, which it uses in its underwriting and credit monitoring processes for commercial loans. The majority of the mortgages held in the Europe segment are classified as amortized cost and therefore there are no fair value movements recorded on these holdings. Equity release mortgages are originated in the Europe segment following well-defined lending criteria and held in the Canada, Europe and Capital and Risk Solutions segments. Equity release mortgages are loans provided to people who want to continue living in their homes while accessing some of the underlying equity value in their homes. Loans are typically repaid when the borrower dies or moves into long-term care.

Mortgage portfolio

Mortgage loans by type	As at June 30, 2023				As at December 31, 2022 (Restated)	
	Insured[1]	**Non-insured**	**Total**		Total	
Single family residential	**$ 368**	**$ 1,287**	**$ 1,655**	**4 %**	$ 1,738	5 %
Multi-family residential	**2,495**	**6,583**	**9,078**	**25**	9,628	26
Equity release	**—**	**3,625**	**3,625**	**10**	3,371	9
Commercial	**—**	**22,571**	**22,571**	**61**	22,460	60
Total	**$ 2,863**	**$ 34,066**	**$ 36,929**	**100 %**	$ 37,197	100 %

[1] Insured mortgages include mortgages where insurance is provided by a third party and protects the Company in the event that the borrower is unable to fulfill their mortgage obligations.

The total mortgage portfolio was $36.9 billion or 17% of invested assets at June 30, 2023, compared to $37.2 billion or 17% of invested assets at December 31, 2022. At June 30, 2023, total insured loans were $2.9 billion or 8% of the mortgage portfolio, compared to $3.0 billion or 8% at December 31, 2022.

DERIVATIVE FINANCIAL INSTRUMENTS

During the second quarter of 2023, there were no major changes to the Company's policies and procedures with respect to the use of derivative financial instruments. The Company’s derivative transactions are generally governed by the International Swaps and Derivatives Association, Inc. (ISDA) Master Agreement, which provide for legally enforceable set-off and close-out netting of exposure to specific counterparties in the event of an early termination of a transaction, which includes, but is not limited to, events of default and bankruptcy. In the event of an early termination, the Company is permitted to set off receivables from a counterparty against payables to the same counterparty, in the same legal entity, arising out of all included transactions. The Company’s ISDA Master Agreement may include Credit Support Annex provisions, which require both the pledging and accepting of collateral in connection with its derivative transactions.

At June 30, 2023, total financial collateral, including initial margin and overcollateralization, received on derivative assets was $1,576 million ($1,348 million at December 31, 2022) and pledged on derivative liabilities was $715 million ($754 million at December 31, 2022). Collateral received on derivatives assets increased and collateral pledged on derivatives liabilities decreased in 2023, primarily driven by the impact of the Canadian dollar strengthening against the U.S. dollar on cross-currency swaps that pay U.S. and receive Canadian dollars.

During the six-month period ended June 30, 2023, the outstanding notional amount of derivative contracts increased by $5.2 billion to $51.8 billion, primarily due to regular hedging activities.

The Company’s exposure to derivative counterparty credit risk, which reflects the current fair value of those instruments in a gain position, increased to $2,361 million at June 30, 2023 from $2,314 million at December 31, 2022. The increase was primarily driven by the impact of the Canadian dollar strengthening against the U.S. dollar on cross-currency swaps that pay U.S. and receive Canadian dollars. There were no changes to derivative counterparty ratings during the second quarter of 2023 and all had investment grade ratings as of June 30, 2023.

LIABILITIES

Total liabilities

	As at June 30, 2023	As at Dec. 31, 2022 (Restated)
Insurance contract liabilities	**$ 136,774**	$ 135,438
Reinsurance contract held liabilities	**625**	537
Investment contract liabilities	**89,777**	94,810
Other general fund liabilities	**21,013**	24,744
Liabilities held for sale[1]	**2,424**	—
Insurance contracts on account of segregated fund policyholders	**59,220**	57,841
Investment contracts on account of segregated fund policyholders	**351,396**	330,041
Total	**$ 661,229**	$ 643,411

[1] On May 31, 2023, Lifeco announced an agreement to sell Putnam Investments to Franklin Templeton. The transaction is expected to close in the fourth quarter of 2023, contingent on regulatory and other customary conditions. Beginning Q2 2023, the related liabilities have been classified as liabilities held for sale.

Total liabilities increased by $17.8 billion to $661.2 billion at June 30, 2023 from December 31, 2022.

Insurance contract liabilities increased by $1.3 billion. The increase was primarily due to market movements, partially offset by normal business movements.

Investment contract liabilities decreased by $5.0 billion. The decrease was primarily due to normal business movements and currency impacts, partially offset by market movements.

Other general fund liabilities decreased by 3.7 billion. The decrease was primarily due to the reclassification of $2.4 billion of Putnam Investments other liabilities to liabilities held for sale, the repayment of €500 million senior bonds and $411 million of payments made against a short-term credit facility used to finance the Prudential acquisition.

Investment and insurance contracts on account of segregated fund policyholders increased by $22.7 billion, primarily due to the combined impact of market value gains and investment income of $26.9 billion, partially offset by the negative impact of currency movement of $3.1 billion and non-controlling mutual fund interest of $1.2 billion. Policyholder deposits and withdrawals were comparable for the quarter.

Insurance and investment contract liabilities represent the amounts that, together with estimated future premiums and investment income, will be sufficient to pay estimated future benefits, dividends and expenses on policies in-force. Insurance and investment contract liabilities are determined using generally accepted actuarial practices, according to standards established by the Canadian Institute of Actuaries. Also, refer to the "Summary of Critical Accounting Estimates" section of this document for further details.

Insurance Contract Liabilities

When significant insurance risk exists, the Company's products are classified at contract inception as insurance contract liabilities in accordance with IFRS 17, *Insurance Contracts* (IFRS 17). Significant insurance risk exists when the Company agrees to compensate policyholders or beneficiaries of the contract for specified uncertain future events that adversely affect the policyholder and whose amount and timing is unknown. Refer to note 2 of the Company's condensed consolidated interim unaudited financial statements for the period ended June 30, 2023 and the "Risk Management" section of the Company's 2022 annual Management's Discussion and Analysis for a discussion of insurance risk.

Contracts with coverage periods of one year or less and those that are relatively stable and have low variability in fulfillment cashflows are measured under the more simplified premium allocation approach (PAA). Low variability in fulfillment cash flows indicates that no significant difference in measurement exists when compared to the general measurement model (GMM). All other contracts are measured under the GMM or for those with direct participating features, the variable fee approach (VFA). Refer to note 2 of the Company's condensed consolidated interim unaudited financial statements for the period ended June 30, 2023 for a discussion of IFRS 17 measurement models.

For contracts not measured under the PAA, the Company measures a group of insurance contracts as the total of the fulfilment cash flows, which comprise estimates of future cash flows, adjusted to reflect the time value of money and the associated financial risks, and a risk adjustment for non-financial risk; and the contractual service margin. Refer to note 2 of the Company's condensed consolidated interim unaudited financial statements for the period ended June 30, 2023 for a discussion of initial and subsequent measurement of insurance contract liabilities.

Insurance contract liabilities and assets[1]

	As at June 30, 2023					
	Insurance contracts not under PAA method					
	Estimates of present value of future cash flows	**Risk adjustment for non-financial risk**	**Contractual service margin**	**Total**	**Contracts under PAA method**	**Total net insurance contract liabilities**
Canada	**$ 92,159**	**$ 1,864**	**$ 6,366**	**$ 100,389**	**$ 8,928**	**$ 109,317**
United States	**17,586**	**149**	**595**	**18,330**	**—**	**18,330**
Europe	**36,774**	**1,067**	**4,333**	**42,174**	**3,498**	**45,672**
Capital and Risk Solutions	**1,401**	**2,009**	**1,764**	**5,174**	**258**	**5,432**
Total	**$ 147,920**	**$ 5,089**	**$ 13,058**	**$ 166,067**	**$ 12,684**	**$ 178,751**

	As at December 31, 2022					
	Insurance contracts not under PAA method					
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin	Total	Contracts under PAA method	Total net insurance contract liabilities
Canada	$ 89,107	$ 1,824	$ 6,518	$ 97,449	$ 8,689	$ 106,138
United States	17,626	151	622	18,399	—	18,399
Europe	36,078	1,076	4,162	41,316	3,493	44,809
Capital and Risk Solutions	1,706	2,009	1,821	5,536	223	5,759
Total	$ 144,517	$ 5,060	$ 13,123	$ 162,700	$ 12,405	$ 175,105

[1] Insurance contract liabilities and assets presented in the above tables also include insurance contracts on account of segregated fund policyholders and reinsurance held assets and liabilities.

At June 30, 2023, total net insurance contract liabilities were $178.8 billion, an increase of $3.6 billion from December 31, 2022. The increase in net insurance contract liabilities was primarily due to market movements, partially offset by normal business movements.

Contractual Service Margin (CSM)

The CSM of a group of insurance contracts represents the unearned profit that the Company expects to recognize in the future as it provides services under those contracts. On initial recognition of a group of insurance contracts, if the total of the fulfilment cash flows, any derecognized assets for insurance acquisition cash flows and any cash flows arising at that date is a net inflow, then the group is classified as non-onerous. For non-onerous contracts, the CSM is measured as the equal and opposite amount of the net inflow, which results in no income or expenses arising on initial recognition.

If the total is a net outflow, then the group of insurance contracts is onerous. In this case, the net outflow is recognized as a loss in the current period. A loss component is created to depict any losses recognized in the current period, which determines the amounts that are subsequently recognized in future periods as reversals on onerous groups.

Contractual service margin (CSM) continuity[1]

	Non-Participating (excluding Segregated Funds)							
	Canada	**United States**	**Europe**	**Capital and Risk Solutions**	**Total**	**Seg Funds**	**Par**	**Total**
CSM beginning of period, December 31, 2022	**$ 1,264**	**$ 41**	**$ 2,771**	**$ 1,796**	**$ 5,872**	**$ 3,557**	**$ 3,694**	**$ 13,123**
Impact of new insurance business	21	—	105	19	145	89	54	288
Expected movements from asset returns & locked-in rates	19	—	23	18	60	129	107	296
CSM recognized for services provided	(75)	(2)	(111)	(77)	(265)	(221)	(79)	(565)
Insurance experience gains/losses	(7)	(7)	39	(12)	13	(66)	—	(53)
Organic CSM movement	**$ (42)**	**$ (9)**	**$ 56**	**$ (52)**	**$ (47)**	**$ (69)**	**$ 82**	**$ (34)**
Impact of markets	—	—	—	—	—	190	(232)	(42)
Impact of change in assumptions	(9)	—	73	(8)	56	(78)	—	(22)
Currency impact	—	(1)	43	4	46	(6)	(7)	33
Total CSM movement	**$ (51)**	**$ (10)**	**$ 172**	**$ (56)**	**$ 55**	**$ 37**	**$ (157)**	**$ (65)**
CSM end of period, June 30, 2023	**$ 1,213**	**$ 31**	**$ 2,943**	**$ 1,740**	**$ 5,927**	**$ 3,594**	**$ 3,537**	**$ 13,058**

1 The CSM shown in the above table is presented net of reinsurance held and includes CSM attributed to insurance contract assets and insurance contract liabilities.

At June 30, 2023, total contractual service margin was $13.1 billion, a decrease of $65 million from December 31, 2022. The decrease was mainly driven by the impacts of markets and organic CSM movement, partially offset by currency impacts.

At June 30, 2023, total contractual service margin on non-participating business excluding segregated funds was $5.9 billion, an increase of $55 million from December 31, 2022. The increase was mainly driven by a $73 million reclassification of CSM between segregated funds and non-participating products excluding segregated funds, which is included in changes in assumptions in the table above. There is no change in overall CSM from this reclassification.

Segregated Fund and Variable Annuity Guarantees

The Company offers retail segregated fund products, unitized with profits (UWP) products and variable annuity products that provide for certain guarantees tied to the market values of the investment funds.

Guaranteed minimum withdrawal benefit (GMWB) products offered by the Company in the U.S. and Germany, and previously offered in Canada and Ireland, provide the policyholder with a guaranteed minimum level of annual income for life. The Company has a hedging program in place to manage a portion of the market and interest rate risk associated with options embedded in its GMWB products. At June 30, 2023, the amount of GMWB product in-force in Canada, the U.S., Ireland and Germany was $7,191 million ($7,033 million at December 31, 2022).

Segregated fund and variable annuity guarantee exposure

	June 30, 2023				
		Investment deficiency by benefit type			
	Market Value	Income	Maturity	Death	Total[1]
Canada	$ 33,198	$ 1	$ 13	$ 160	$ 160
United States	24,055	360	—	7	367
Europe	11,172	18	—	1,268	1,268
Capital and Risk Solutions[2]	675	134	—	—	134
Total	**$ 69,100**	**$ 513**	**$ 13**	**$ 1,435**	**$ 1,929**

1 A policy can only receive a payout from one of the three trigger events (income election, maturity or death). Total deficiency measures the point-in-time exposure assuming the most costly trigger event for each policy occurred on June 30, 2023.
2 Capital and Risk Solutions exposure is to markets in Canada and the U.S.

Investment deficiency at June 30, 2023 decreased by $764 million to $1,929 million compared to December 31, 2022, primarily due to an increase in market values. The investment deficiency measures the point-in-time exposure to a trigger event (i.e., income election, maturity or death) assuming it occurred on June 30, 2023 and does not include the impact of the Company's hedging program for GMWB products. The actual cost to the Company will depend on the trigger event having occurred and the market values at that time. The actual claims before tax associated with these guarantees were $3 million in-quarter ($2 million for the second quarter of 2022), with the majority arising in the Capital and Risk Solutions segment related to a legacy block of business.

LIFECO CAPITAL STRUCTURE

In establishing the appropriate mix of capital required to support the operations of the Company and its subsidiaries, management utilizes a variety of debt, equity and other hybrid instruments considering both the short and long-term capital needs of the Company.

Debentures and Other Debt Instruments

At June 30, 2023, debentures and other debt instruments decreased by $1,308 million to $9,201 million compared to December 31, 2022.

On April 18, 2023, the Company repaid the principal amount of its maturing 2.5% €500 million senior bonds, together with accrued interest.

On June 30, 2023, Great-West Lifeco U.S. LLC, a subsidiary of the Company, made a payment of US$150 million on its non-revolving credit facility. The remaining drawn balance was US$200 million as at June 30, 2023.

Share Capital and Surplus

Share capital outstanding at June 30, 2023 was $10,066 million, which comprises $5,846 million of common shares and $2,720 million of preferred shares and $1,500 million Limited Recourse Capital Notes (LRCN Series 1). Preferred shares included $2,470 million of non-cumulative First Preferred Shares and $250 million of non-cumulative 5-year rate reset First Preferred Shares.

The Company renewed its normal course issuer bid (NCIB) effective January 27, 2023 for one year to purchase and cancel up to 20,000,000 of its common shares at market prices in order to mitigate the dilutive effect of stock options granted under the Company's Stock Option Plan and for other capital management purposes. Effective March 1, 2023, the Company entered into an automatic share purchase plan (ASPP). The ASPP is intended to facilitate repurchases of common shares under the NCIB, including at times when the Company would ordinarily not be permitted to make purchases due to regulatory restrictions or self-imposed blackout periods. All purchases of common shares made under the ASPP are included in determining the number of common shares purchased under the NCIB. Any common shares purchased by the Corporation pursuant to the NCIB will be cancelled.

During the six months ended June 30, 2023, the Company repurchased and subsequently cancelled 2,519,200 common shares under the current NCIB at an average cost per share of $37.41.

LIQUIDITY AND CAPITAL MANAGEMENT AND ADEQUACY

LIQUIDITY

Liquidity risk is assessed and mitigated through prudent product design and contract terms; and by maintaining a high quality, diversified investment portfolio with sufficient liquidity to meet policyholder and financing obligations under normal and stress conditions.

Total Liquid Assets

	As at June 30, 2023		
	On-balance sheet assets	**Non-liquid/ Pledged**	**Net liquid assets**
Cash, cash equivalents and short-term bonds			
Cash and cash equivalents[1]	$ **7,171**	$ **58**	$ **7,113**
Short-term bonds[2]	**5,413**	**—**	**5,413**
Sub-total	$ **12,584**	$ **58**	$ **12,526**
Other assets and marketable securities			
Government bonds[2]	$ **37,675**	$ **10,384**	$ **27,291**
Corporate bonds[2]	**109,237**	**51,973**	**57,264**
Stocks[1]	**14,793**	**3,352**	**11,441**
Mortgage loans[1]	**36,929**	**34,066**	**2,863**
Sub-total	$ **198,634**	$ **99,775**	$ **98,859**
Total	$ **211,218**	$ **99,833**	$ **111,385**

	As at December 31, 2022 (Restated)		
	On-balance sheet assets	Non-liquid/ Pledged	Net liquid assets
Cash, cash equivalents and short-term bonds			
Cash and cash equivalents[1]	$ 7,290	$ 83	$ 7,207
Short-term bonds[2]	4,241	30	4,211
Sub-total	$ 11,531	$ 113	$ 11,418
Other assets and marketable securities			
Government bonds[2]	$ 40,152	$ 10,607	$ 29,545
Corporate bonds[2]	111,698	52,969	58,729
Stocks[1]	14,301	2,921	11,380
Mortgage loans[1]	37,197	34,210	2,987
Sub-total	$ 203,348	$ 100,707	$ 102,641
Total	$ 214,879	$ 100,820	$ 114,059

1 Refer to the consolidated balance sheet in the Company's December 31, 2022 annual consolidated financial statements for on-balance sheet amounts.

2 Total short-term bonds, government bonds and corporate bonds as at June 30, 2023 was $152.3 billion ($156.1 billion at December 31, 2022). Refer to the consolidated balance sheet in the Company's condensed consolidated interim unaudited financial statements for the period ended June 30, 2023 for on-balance sheet bonds amounts.

The Company's liquidity requirements are largely self-funded, with short-term obligations being met by internal funds and maintaining levels of liquid investments adequate to meet anticipated liquidity needs. The Company holds cash, cash equivalents and short-term bonds at the Lifeco holding company level and with the Lifeco consolidated subsidiary companies. At June 30, 2023, the Company and its operating subsidiaries held liquid cash,

cash equivalents and short-term bonds of $12.5 billion ($11.4 billion at December 31, 2022) and other liquid assets and marketable securities of $98.9 billion ($102.6 billion at December 31, 2022). Included in the cash, cash equivalents and short-term bonds at June 30, 2023 was $0.5 billion ($1.0 billion at December 31, 2022) held at the Lifeco holding company level which includes cash at Great-West Lifeco U.S. LLC, the Company's U.S. holding company. In addition, the Company maintains committed lines of credit with Canadian chartered banks for potential unanticipated liquidity needs, if required.

The Company does not have a formal common shareholder dividend policy. The Company maintains a target dividend payout ratio range of 45% to 55% of base earnings that is considered in dividend decisions. Dividends on outstanding common shares of the Company are declared and paid at the sole discretion of the Board of Directors of the Company. The decision to declare a dividend on the common shares of the Company takes into account a variety of factors including the level of earnings, adequacy of capital and availability of cash resources.

As a holding company, the Company’s ability to pay dividends and, in part, its ability to deploy capital is dependent upon the Company receiving dividends from its operating subsidiaries. The Company’s operating subsidiaries are subject to regulation in a number of jurisdictions, each of which maintains its own regime for determining the amount of capital that must be held in connection with the different businesses carried on by the operating subsidiaries. The requirements imposed by the regulators in any jurisdiction may change from time to time, and thereby impact the ability of the operating subsidiaries to pay dividends to the Company.

CASH FLOWS

Cash flows

	For the three months ended June 30		For the six months ended June 30	
	2023	2022 (Restated)	**2023**	2022 (Restated)
Cash flows relating to the following activities:				
Earnings after-tax	**$ 372**	$ 886	**$ 973**	$ 2,408
Fair value changes and other	**255**	1,538	**(1,380)**	1,456
Operations	**627**	2,424	**(407)**	3,864
Financing	**(1,508)**	(547)	**(2,260)**	5
Investment	**1,738**	(3,317)	**2,874**	(1,960)
	857	(1,440)	**207**	1,909
Effects of changes in exchange rates on cash and cash equivalents	**(94)**	107	**(68)**	(60)
Increase (decrease) in cash and cash equivalents in the period	**763**	(1,333)	**139**	1,849
Cash and cash equivalents, beginning of period	**6,666**	9,257	**7,290**	6,075
Cash and cash equivalents from continuing and discontinued operations, end of period	**$ 7,429**	$ 7,924	**$ 7,429**	$ 7,924
Cash and cash equivalents from discontinued operations, end of period[1]	**258**	—	**258**	—
Cash and cash equivalents from continuing operations, end of period	**$ 7,171**	$ 7,924	**$ 7,171**	$ 7,924

[1] On May 31, 2023, Lifeco agreed to sell Putnam Investments to Franklin Templeton. The transaction is expected to close in the fourth quarter of 2023, contingent on regulatory and other customary conditions. Beginning Q2 2023, the cash flows related to the discontinued operations have been presented separately.

The principal source of funds for the Company on a consolidated basis is cash provided by operating activities, including insurance revenue, net investment income and fee income. These funds are used primarily to pay policy benefits, policyholder dividends and claims, as well as operating expenses and commissions. The operations category on the statement of cash flows also includes transfers and withdrawals by clients that are funded in part by the sale of assets for cash reflected in the investments category. Cash flows generated by operations are mainly invested to support future liability cash requirements. Cash flows related to financing activities include the issuance and repayment of capital instruments and associated dividends and interest payments.

In the second quarter of 2023, cash and cash equivalents increased by $763 million from March 31, 2023. Cash flows provided by operations during the second quarter of 2023 were $627 million, a decrease of $1,797 million compared to the second quarter of 2022, primarily due to positive fair value changes in the prior period. Cash flows used by financing activities of $1,508 million were primarily used for the repayment of the principal amount of the Company's maturing 2.5% €500 million senior bonds, repayment of a line of credit of a subsidiary as well as payment of dividends to common and preferred shareholders. Cash inflows from investment activities were $1,738 million.

For the six months ended June 30, 2023, cash and cash equivalents increased by $139 million from December 31, 2022. Cash flows provided by operations were $407 million, a decrease of $4,271 million compared to the same period last year, primarily due to the same reason discussed for the in-quarter results. Cash flows used by financing activities of $2,260 million were primarily used for the same reasons discussed for the in-quarter results. Cash inflows from investment activities were $2,874 million.

COMMITMENTS/CONTRACTUAL OBLIGATIONS

Commitments/contractual obligations have not changed materially from December 31, 2022.

CAPITAL MANAGEMENT AND ADEQUACY

At the holding company level, the Company monitors the amount of consolidated capital available and the amounts deployed in its various operating subsidiaries. The amount of capital deployed in any particular company or country is dependent upon local regulatory requirements as well as the Company's internal assessment of capital requirements in the context of its operational risks and requirements and strategic plans. The Company's practice is to maintain the capitalization of its regulated operating subsidiaries at a level that will exceed the relevant minimum regulatory capital requirements in the jurisdictions in which they operate. The capitalization decisions of the Company and its operating subsidiaries also give consideration to the impact such actions may have on the opinions expressed by various credit rating agencies that provide financial strength and other ratings to the Company. During the quarter, the Company repaid the principal amount of its maturing 2.5% €500 million senior bonds, together with accrued interest.

In Canada, OSFI has established a regulatory capital adequacy measurement for life insurance companies incorporated under the Insurance Companies Act (Canada) and their subsidiaries, known as the Life Insurance Capital Adequacy Test (LICAT). The LICAT Ratio is calculated in accordance with the 2023 OSFI Guideline - Life Insurance Capital Adequacy Test.

The LICAT Ratio compares the regulatory capital resources of a company to its required capital. The required capital is calibrated so that a life insurer can both withstand severe stress events and support the continuity of existing business. The LICAT guideline uses a risk-based approach for measuring specific life insurer risks and for aggregating the results to calculate the amount of a life insurer's capital requirements.

OSFI has established a Supervisory Target Total Ratio of 100% and a Supervisory Minimum Total Ratio of 90%. Lifeco's major Canadian operating subsidiary, Canada Life, is operating well above these supervisory ratios.

Canada Life's consolidated LICAT Ratio at June 30, 2023 was 126%. The LICAT Ratio does not take into account any impact from $0.5 billion of liquidity at the Lifeco holding company level at June 30, 2023 ($1.3 billion at March 31, 2023).

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

LICAT Ratio	June 30 2023	March 31 2023	Dec. 31 2022 (Restated)
Tier 1 Capital	**$ 18,028**	$ 18,523	
Tier 2 Capital	**5,433**	5,225	
Total Available Capital	**23,461**	23,748	
Surplus Allowance & Eligible Deposits	**5,176**	5,322	
Total Capital Resources	**$ 28,637**	$ 29,070	
Required Capital	**$ 22,791**	$ 22,926	
Total Ratio (OSFI Supervisory Target = 100%)[1]	**126 %**	127 %	
Proforma IFRS 17 Total Ratio (OSFI Supervisory Target = 100%)[1,2]			130 %

1 Total Ratio (%) = (Total Capital Resources / Required Capital)
2 Proforma estimates of the Canada Life consolidated LICAT ratio are estimated based on the retrospective application of the 2023 LICAT Guideline to 2022 financial results which have been restated to reflect the adoption of IFRS 17 and IFRS 9. Proforma LICAT ratios are intended only to provide an estimate of the direction and magnitude of the impact of adopting the 2023 LICAT Guideline under IFRS 17. Refer to the Cautionary Notes at the beginning of this document for additional information on the use of proforma estimates

The LICAT Ratio decreased by one point in the quarter from 127% at March 31, 2023 to 126% in June 30, 2023. The one point decrease is partially attributed to the impact of higher interest rates in-quarter with some offset from surplus asset rebalancing in Europe which achieved lower interest rate risk regulatory capital requirements.

LICAT Interest Rate Scenario Shift

There was no new shift in the interest rate scenario applied in the LICAT calculation this quarter. Previous interest rate scenario shifts have now been fully smoothed into the Canada Life LICAT result.

LICAT Sensitivities

Caution Related to Sensitivities

This section includes estimates of Canada Life consolidated LICAT Ratio sensitivities for certain risks. Actual results can differ significantly from these estimates for a variety of reasons including:

- Assessment of the circumstances that led to the scenario may lead to changes in (re)investment approaches and interest rate scenarios considered;
- Changes in actuarial, investment return and future investment activity assumptions;
- Actual experience differing from the assumptions;
- Changes in business mix, effective income tax rates and other market factors;
- Interactions among these factors and assumptions when more than one changes; and
- The general limitations of the Company's internal models.

For these reasons, the sensitivities should be viewed as directional estimates only of the underlying sensitivities for the respective factors. Given the nature of these calculations, the Company cannot provide assurance that the actual impact on the Canada Life consolidated LICAT Ratio will be as indicated.

LICAT sensitivities are rounded to the nearest point and have been prepared on an IFRS 17 basis under the LICAT 2023 OSFI Guideline.

Publicly Traded Common Stocks

The following table sets out the estimated immediate impact to Canada Life's consolidated LICAT Ratio of certain changes in publicly traded common stock values as at June 30, 2023. These sensitivity estimates assume instantaneous shocks. The sensitivity estimates relate to publicly traded common stocks and do not cover other non-fixed income assets. These estimates are illustrative as actual equity exposures may vary due to active management of the public stock portfolios.

Immediate change in publicly traded common stock values	June 30, 2023			
	20% increase	10% increase	10% decrease	20% decrease
Potential change to LICAT Ratio	0 point	0 point	0 point	(2 points)

Interest Rates

Canada Life's consolidated LICAT Ratio will generally reduce in an environment of rising interest rates and benefit from declining rates. Higher interest rates will decrease the value of the Company's surplus assets and the value of the provision for non-financial risk included in the Surplus Allowance. These reductions will be partially offset by increased earnings that result from higher interest rates. While the value of capital resources reduce as interest rates rise, the LICAT Guideline uses static interest rates for the calculation of insurance risk capital requirements, and hence these capital requirements do not change with interest rate movements. This means that while rising interest rates are generally favourable for the Company, they will lead to a decrease in the calculated LICAT ratio.

The sensitivity estimates shown here are illustrative. The impacts shown are based on a parallel shift in the interest rate yield curve across all geographies. Actual movement in credit spreads or government treasury rates may produce different movements in Canada Life's consolidated LICAT Ratio. Sensitivity to interest rates is dependent on many factors and may result in non-linear impacts to the LICAT Ratio. These sensitivities do not include a change in the ultimate interest rate or the impact of a LICAT interest rate risk scenario shift.

Immediate parallel shift in yield curve	June 30, 2023	
	50 bps increase	50 bps decrease
Potential change to LICAT Ratio	< 1 pt decrease	< 1 pt increase

OSFI Regulatory Capital Initiatives

OSFI is developing a new approach, planned to be implemented in 2025, to determine capital requirements for Segregated Fund Guarantee Risk. The Company will continue to participate in future public consultations relating to this and other developments.

RETURN ON EQUITY (ROE)[1]

Base Return on Equity[2,3]	June 30 2023	March 31 2023	Dec. 31 2022 (Restated)
Canada	**17.6 %**	18.4 %	17.3 %
United States[3]	**11.4 %**	10.4 %	9.5 %
Europe	**17.5 %**	17.8 %	17.3 %
Capital and Risk Solutions	**37.1 %**	37.0 %	42.9 %
Total Lifeco Base Earnings Basis[2,3]	**15.9 %**	16.1 %	15.8 %

Return on Equity[1]	June 30 2023	March 31 2023	Dec. 31 2022 (Restated)
Canada	**15.3 %**	18.4 %	21.2 %
United States	**6.7 %**	6.0 %	5.5 %
Europe	**11.8 %**	14.7 %	24.6 %
Capital and Risk Solutions	**30.0 %**	31.2 %	38.9 %
Total Lifeco Net Earnings Basis[1]	**11.7 %**	13.4 %	17.2 %

1 Refer to the "Glossary" section of this document for additional details on the composition of this measure.
2 This metric is a non-GAAP ratio. Refer to the "Non-GAAP Financial Measures and Ratios" section of this document for additional details.
3 Comparative results are restated to exclude the net earnings (losses) from discontinued operations related to Putnam Investments.

The Company has a capital allocation methodology, which allocates financing costs in proportion to allocated capital. For the Canada, Europe and Capital and Risk Solutions segments (essentially Canada Life), this allocation method generally tracks the regulatory capital requirements, while for Empower and Putnam, it tracks the financial statement carrying value of the business units. Total leverage capital is consistently allocated across all business units in proportion to total capital resulting in a debt-to-equity ratio in each business unit consistent with the consolidated Company.

RATINGS

Lifeco maintains ratings from five independent ratings companies. Credit ratings[3] are intended to provide investors with an independent measure of the credit quality of a corporation and securities of a corporation and are indicators of the likelihood of payment and the capacity of a corporation to meet its obligations in accordance with the terms of each obligation.

In the second quarter of 2023, the existing credit ratings for Lifeco and its major operating subsidiaries were unchanged. The Company continued to receive strong ratings relative to its North American peer group resulting from its conservative risk profile, stable net earnings and strong capitalization.

Lifeco's operating companies are assigned a group rating from each rating agency. This group rating is predominantly supported by the Company's leading position in the Canadian insurance market and competitive positions in the U.S. and European markets. Each of Lifeco's operating companies benefits from the strong implicit financial support and collective ownership by Lifeco. There were no changes to the Company's group credit ratings in the second quarter of 2023.

Rating agency	Measurement	Lifeco	Canada Life	Irish Life	Empower
A.M. Best Company	Financial Strength		A+		A+
DBRS Morningstar	Issuer Rating	A (high)	AA		
	Financial Strength		AA		NR
	Senior Debt	A (high)			
	Subordinated Debt	A (low)	AA (low)		
Fitch Ratings	Insurer Financial Strength		AA	AA	AA
	Senior Debt	A			
	Subordinated Debt	BBB+	A+		
Moody's Investors Service	Insurance Financial Strength		Aa3		Aa3
S&P Global Ratings	Insurer Financial Strength		AA		AA
	Senior Debt	A+			
	Subordinated Debt	A-	AA-		

RISK MANAGEMENT AND CONTROL PRACTICES

The Company's Enterprise Risk Management (ERM) Framework facilitates the alignment of business strategy with risk appetite, informs and improves the deployment of capital; and supports the identification, mitigation and management of exposure to potential losses and risk. The Company's Risk Function is responsible for developing and maintaining the Risk Appetite Framework (RAF), the supporting risk policies and risk limit structure, and provides independent risk oversight across the Company's operations. The Board of Directors is ultimately accountable and responsible for the Company's risk governance and associated risk policies. These include the ERM Policy, which establishes the guiding principles of risk management, and the RAF, which reflects the levels and types of risk that the Company is willing to accept to achieve its business objectives.

During the six months ended June 30, 2023, there were no significant changes to the Company's risk management and control practices. Refer to the Company's 2022 Annual MD&A for a detailed description of the Company's risk management and control practices.

[3] These ratings are not a recommendation to buy, sell or hold the securities of the Company or its subsidiaries and do not address market price or other factors that might determine suitability of a specific security for a particular investor. The ratings also may not reflect the potential impact of all risks on the value of securities and are subject to revision or withdrawal at any time by the rating agency.

ACCOUNTING POLICIES

SUMMARY OF CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the reporting date, and the reported amounts of revenue and expenses during the reporting period. The results of the Company reflect management's judgments regarding the impact of prevailing market conditions related to global credit, equities, investment properties and foreign exchange and prevailing health and mortality experience. The fair value of portfolio investments, the valuation of goodwill and other intangible assets, the valuation of insurance contract liabilities and the recoverability of deferred tax asset carrying values reflect management's judgement based on current expectations but could be impacted in the future depending on current market developments.

Updated significant accounting estimates reflecting the implementation of IFRS 17 and IFRS 9 are referenced below. For additional detail, refer to the Company's condensed consolidated interim unaudited financial statements for the period ended June 30, 2023 and the Company's 2022 annual MD&A which was prepared in accordance with IFRS 4 and IAS 39.

Fair Value Measurement

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

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

Refer to note 7 in the Company's condensed consolidated interim unaudited financial statements for the period ended June 30, 2023 for disclosure of the Company's financial instruments fair value measurement by hierarchy level as at June 30, 2023.

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

Bonds - FVTPL and FVOCI

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

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

Mortgages - FVTPL and FVOCI

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

Equity Release Mortgages - FVTPL

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

Stocks - FVTPL

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

Hedge Accounting

The Company elected to continue to apply the hedge accounting principles under IAS 39 instead of those under IFRS 9. Refer to note 2 in the Company's consolidated annual audited financial statements for the year ended December 31, 2022 for disclosure of the Company's policy for hedge accounting.

Expected credit losses (ECL)

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

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

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

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

Performing financial assets that have not experienced a significant increase in credit risk since initial recognition or have low credit risk are categorized into stage 1. A 12-month ECL allowance is calculated for stage 1 financial assets.

Performing financial assets that have experienced a significant increase in credit risk since initial recognition are categorized into stage 2. A lifetime ECL allowance is calculated for stage 2 financial assets.

Impaired financial assets are categorized into stage 3 and require a lifetime ECL allowance.

Insurance, reinsurance held and investment contract liabilities

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

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

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

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

Updated Annual Assumptions and Sensitivities Disclosures

The assumptions and sensitivities below have historically been updated in the Company's Annual MD&A. However, with the adoption of IFRS 17 and IFRS 9, the sensitivities as at December 31, 2022 have been restated to include the impact on the Company's net earnings and CSM balances. These assumptions and sensitivities will be included in all 2023 interim MD&As as shown below and will be updated in the Company's 2023 Annual MD&A.

Mortality – A life insurance mortality study is carried out regularly for each major block of insurance business. The results of each study are used to update the Company's experience valuation mortality tables for that business. Annuitant mortality is also studied regularly, and the results are used to modify established annuitant mortality tables. When there is insufficient data, use is made of the latest industry experience to derive an appropriate valuation mortality assumption. Improvement scales for life insurance and annuitant mortality are updated periodically based on population and industry studies, product specific considerations, as well as professional guidance. In addition, appropriate provisions are made for future mortality deterioration on term insurance.

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.

Updated Interim Disclosures

With the adoption of IFRS 17 and IFRS 9, the sensitivities below now include the impact on the Company's net earnings. These assumptions and sensitivities will be updated quarterly.

Investment returns – Interest rate risk is managed by investing in assets that are suitable for the products sold. The Company utilizes a formal process for managing the matching of assets and liabilities. This involves grouping general fund assets and liabilities into segments. Assets in each segment are managed in relation to the liabilities in the segment.

The impact to net earnings from changes in the interest rates would be largely offset by changes in the value of financial assets supporting the liabilities. However, differences in the interest rate sensitivity in the value of assets and the value of insurance and investment contract liabilities leads to a sensitivity to interest rate movements in net earnings under IFRS 17 and IFRS 9. The Company’s asset liability management strategy uses equities and other non-fixed income assets as a component of general fund assets supporting liabilities, which leads to interest rate exposure in the net earnings. Further, the classification of financial assets under IFRS 9, for example, mortgage assets which are valued at amortized cost and held in the general fund assets supporting liabilities, also contributes to interest rate exposure in net earnings.

A way of measuring the interest rate risk is to determine the net effect on the value of assets relative to insurance and investment contract liabilities that impact the shareholders' net earnings of the Company from immediate change in interest rates.

In addition to interest rates, the Company is also exposed to movements in equity markets.

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

The liabilities for other products such as segregated fund products with guarantees also fluctuate with equity values. Under current market conditions, there are no earnings impacts to the Company on segregated fund business that it does not hedge, as changes in the cost of guarantees are fully offset within the CSM. For segregated fund business that the Company hedges, there is a limited earnings impact with respect to the change in liability compared to the change in hedge assets.

For a further description of the Company's sensitivity to equity market, interest rate and other fluctuations, refer to "Financial Instruments Risk Management" note 6 in the Company's condensed consolidated interim unaudited financial statements for the period ended June 30, 2023.

Risk adjustment

The risk adjustment for non-financial risk represents the compensation that the Company requires for bearing uncertainty in the amount and timing of insurance contract cash flows due to non-financial risk. Non-financial risks are insurance risks such as life mortality, annuity mortality and morbidity, and other risks such as expense and lapse. The risk adjustment is calculated by applying a margin to non-financial assumptions and discounting the resulting margin cash flows at the same discount rates as the best estimate cash flows. The margins applied reflect diversification benefits across all non-financial risks in the Company. The Company's target range for the confidence level of the risk adjustment is between the 85th and 90th percentile, and the risk adjustment currently sits within the target range. The confidence level is determined on a net-of-reinsurance basis.

Discount rates

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

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

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

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

As at June 30, 2023		Year 1	Year 5	Year 10	Year 20	Year 30	Year 50
CAD	**Lower**	**6.6 %**	**5.0 %**	**4.7 %**	**4.6 %**	**4.5 %**	**4.8 %**
	Upper	**7.0 %**	**5.4 %**	**5.1 %**	**5.1 %**	**4.9 %**	**5.0 %**
USD	**Lower**	**6.6 %**	**5.3 %**	**5.0 %**	**5.4 %**	**5.0 %**	**4.8 %**
	Upper	**7.0 %**	**5.8 %**	**5.4 %**	**5.8 %**	**5.4 %**	**5.1 %**
EUR	**Lower**	**3.6 %**	**2.8 %**	**2.6 %**	**2.7 %**	**3.0 %**	**4.3 %**
	Upper	**5.3 %**	**4.4 %**	**4.3 %**	**4.4 %**	**4.4 %**	**4.6 %**
GBP	**Lower**	**6.0 %**	**5.3 %**	**4.9 %**	**5.1 %**	**4.9 %**	**4.0 %**
	Upper	**7.1 %**	**6.4 %**	**6.0 %**	**6.2 %**	**6.0 %**	**5.2 %**

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

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

The Company disclosed forward rates in note 2 of its March 31, 2023 interim unaudited financial statements. The Company now presents spot rates to better illustrate the discount rates applied. There is no impact to the calculation of insurance contract liabilities.

EXPOSURES AND SENSITIVITIES

Insurance and Investment Contract Liabilities

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

The earnings and CSM sensitivities illustrated in the table below represent impacts as at December 31, 2022 under the Company's current accounting policies as at June 30, 2023, including accounting for insurance contracts under IFRS 17 and financial instruments under IFRS 9. A description of the methodologies used to calculate the Company's insurance risk sensitivities is included in the "Summary of Critical Accounting Estimates" section of this document. The Company's insurance risk sensitivities at June 30, 2023 have not changed significantly from the amounts disclosed in the table below.

Non-Financial Exposures and Sensitivities

	Increase (decrease) in net earnings	Increase (decrease) in CSM
	Dec. 31 2022 (Restated)	Dec. 31 2022
2% Life mortality increase	$ 25	$ (325)
2% Annuity mortality decrease	200	(650)
5% Morbidity adverse change	(100)	(125)
5% Expense increase	—	(175)
10% Adverse change in policy termination and renewal	150	(1,100)

The following table illustrates the approximate impact to the Company’s net earnings that would arise as a result of changes to management’s best estimate of certain assumptions. A description of the methodologies used to calculate the Company's financial risk sensitivities is included in the "Summary of Critical Accounting Estimates" section of this document. For changes in asset-related assumptions, the sensitivity is shown net of the corresponding impact on earnings of the change in the value of the assets supporting liabilities.

Financial Exposures and Sensitivities

	Increase (decrease) in net earnings	
	June 30 2023	Dec. 31 2022 (Restated)
Investment returns:		
Change in valuation curves (market yield curves)		
50 basis points increase	**$ 100**	$ 75
50 basis points decrease	**$ (150)**	$ (125)
Change in publicly traded common stock values		
20% increase	**$ 225**	$ 200
10% increase	**$ 125**	$ 100
10% decrease	**$ (125)**	$ (125)
20% decrease	**$ (250)**	$ (225)
Change in other non-fixed income asset values		
10% increase	**$ 375**	$ 400
5% increase	**$ 200**	$ 200
5% decrease	**$ (200)**	$ (200)
10% decrease	**$ (400)**	$ (425)

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 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, 2022 and June 30, 2023, the sensitivity of shareholders' net earnings of the Company to a 10 basis point increase or decrease in the UIR in all geographies would be an increase of $25 million or a decrease of $25 million post-tax, respectively.

Refer to the "Accounting Policies - Summary of Critical Accounting Estimates" section of this document for additional information on earnings sensitivities.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

Due to the evolving nature of IFRS, there are a number of IFRS changes impacting the Company in 2023, as well as standards that could impact the Company in future reporting periods. The Company actively monitors future IFRS changes proposed by the International Accounting Standards Board (IASB) to assess if the changes to the standards may have an impact on the Company's results or operations.

Other Changes in Accounting Policies

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

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

For additional detail, refer to notes 2 and 3 of the Company’s condensed consolidated interim unaudited financial statements for the period ended June 30, 2023.

Transition to IFRS 17 and IFRS 9

The Company has adopted IFRS 17, *Insurance Contracts* (IFRS 17) replacing IFRS 4, *Insurance Contracts* (IFRS 4) effective January 1, 2023. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts. Under IFRS 17, groups of contracts are measured at the estimate of the present value of fulfilment cash flows, adjusted for an explicit risk adjustment for non-financial risk and the Contractual Service Margin (CSM). While the new standard changes the measurement and timing of recognition of insurance contracts and the corresponding presentation and disclosures in the Company's financial statements, it does not have a material impact on the Company or change the Company's underlying business strategy.

The impacts of the adoption of IFRS 17 include:

- January 1, 2022 shareholders' equity decreased by approximately 12% on the adoption of IFRS 17 on January 1, 2023 in line with original expectations, primarily due to the establishment of the contractual service margin (CSM), partially offset by the removal of provisions no longer required under IFRS 17.
- The CSM established for in-force contracts as at January 1, 2022 was $5.9 billion associated with the shareholders’ account and $2.6 billion associated with the participating account. This does not include the CSM on in-force segregated fund business which does not have a material impact on capital or opening equity.
- 1.8% decrease in base earnings[4] as a result of transition with no material change to the pattern of base earnings and approximately 70% of business experienced limited or no impacts; however, there is an expected increase in net earnings volatility driven by the removal of the direct link between asset and liability measurement that existed under the Canadian Asset Liability Matching (CALM) process under IFRS 4. In addition, changes to the base earnings definition to exclude the amortization of acquisition-related finite life intangible assets, accounted for a 4.0% increase in base earnings for an overall net increase of 2.2%.
- Medium-term financial objectives for base EPS[5] growth and base dividend payout ratio remain unchanged, while medium-term financial objective for base ROE[2] is increased by 2% to 16-17% reflecting the change in shareholders' equity.
- Financial strength has been maintained with a positive impact of approximately 10 points to the December 31, 2022 proforma Canada Life consolidated LICAT Ratio as a result of the adoption of IFRS 17 and IFRS 9. Tier 1 available capital under the 2023 LICAT Guideline includes the CSM, other than the CSM associated with segregated fund guarantees.

[4] This metric is a non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures and Ratios" section of this document for additional details.

[5] This metric is a non-GAAP ratio. Refer to the "Non-GAAP Financial Measures and Ratios" section of this document for additional details.

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

The Company elected to present comparative information for its financial assets as if the classification and measurement requirements of IFRS 9 had been applied in the comparative period (IFRS 9 overlay), as permitted by the amendment to IFRS 17 published by the IASB in December 2021. Differences in asset classification under IAS 39 at December 31, 2022 and IFRS 9 at January 1, 2023 are outlined below.

Transition to IFRS 9

	Classification	
	IAS 39	**IFRS 9**
Financial Assets		
Bonds		
	FVTPL (designated)	FVTPL (designated)
	FVTPL (designated)	FVOCI[1]
	FVTPL (classified)	FVTPL (mandatory)
	Available-for-Sale (AFS)	FVTPL (mandatory)
	AFS	FVOCI[1]
	Loans & Receivables (L&R)	FVTPL (designated)
	L&R	FVOCI[1]
	L&R	Amortized Cost[1]
Mortgage loans		
	FVTPL (designated)	FVTPL (mandatory)
	AFS	FVTPL (mandatory)
	L&R	FVTPL (designated)
	L&R	FVOCI[1]
	L&R	Amortized Cost[1]
Stocks		
	FVTPL (designated)	FVTPL (mandatory)
	AFS	FVTPL (mandatory)
	AFS, at cost	FVTPL (mandatory)

[1] Under IFRS 9, allowances for expected credit loss (ECL) are recognized on all financial assets, except for financial assets classified or designated as FVTPL and equity securities designated as FVOCI.

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

Transitional Impact on Equity

The resulting changes in accounting policies from the adoption of IFRS 17 and IFRS 9 had an impact on the Company's opening equity balances.

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

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

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

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

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

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

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

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

Observations from 2022 Restated Comparative Results

The adoption of IFRS 17 led to a 1.8% decrease in base earnings with approximately 70% of business experiencing limited or no change in earnings. For businesses more impacted by IFRS 17, the main drivers of the change in earnings relate to the introduction of the contractual service margin (CSM) and the removal of the direct link between assets and liabilities.

The CSM leads to more stable insurance results as gains on new business, certain non-financial experience (e.g., longevity) and non-financial assumption changes are recognized in the CSM, to the extent possible, and then recognized into earnings as services are provided over the life of the insurance contract. However, certain non-financial experience (e.g., mortality impact on life insurance contracts) is immediately recognized in base earnings. This can lead to a difference in the base earnings recognition while not impacting Canada Life's regulatory capital (LICAT) position. Canada Life's diverse portfolio continues to minimize the impact on capital from changes in mortality as the increased CSM balances on the longevity blocks provide an increase to Tier 1 available capital for LICAT which mitigates the immediate earnings recognition on the mortality blocks. This capital treatment is more reflective that the underlying economics of these blocks of business have not changed, rather only the timing of how experience is reflected in earnings has changed.

The removal of the direct link between assets and liabilities led to a modest decrease in base earnings as the impact of trading activity on certain lines of business is deferred rather than immediately reflected into earnings. The Company elected to use a top-down, own assets reference portfolio approach to set liability discount rates for fulfillment cashflows for most portfolios of business. For other lines of business, as the Company rebalances fixed income investments within the reference portfolio, this can change the top-down discount rates used to measure insurance contract liabilities which leads to trading activity being recognized in earnings immediately.

There is also greater net earnings volatility under IFRS 17 due to the removal of the direct link between assets and liabilities resulting in differences in the change in liabilities compared to the change in supporting assets. The Company reviewed its asset liability management and accounting policy decisions with the transition to IFRS 17, with the focus of maintaining Canada Life's regulatory capital (LICAT) stability.

- For example, in instances where investment strategy uses equities or other non-fixed income (NFI) assets, or mortgage assets which are valued at amortized cost, as a component of general fund assets supporting liabilities, interest rate exposure arises in the net earnings under IFRS 17. However, this additional net earnings volatility offsets other LICAT impacts leading to greater LICAT stability.
- As equity and real estate markets move up or down, the change in the asset carrying values (marked-to-market movements) are now recognized in earnings as opposed to being offset in the CALM process under IFRS 4. However, this additional net earnings volatility leads to a limited LICAT impact due to the limited use of NFI assets.

Over the 2022 comparative period, the Company observed the following key items:

- A 1.8% decrease in base earnings with approximately 70% of business experience limited or no change in earnings. This decrease was driven by deferral of new business gains and certain trading activity, partially offset by higher in-force earnings driven by the CSM amortization and deferral of certain non-financial experience.
- An increase in net earnings volatility due to market experience that was a result of the heightened market volatility within 2022; however, the Company’s financial strength and the Canada Life proforma LICAT ratio was stable over 2022.

For a further description of accounting policies, including future accounting standard changes, refer to note 2 of the Company's condensed consolidated interim unaudited financial statements for the period ended June 30, 2023.

OTHER INFORMATION

NON-GAAP FINANCIAL MEASURES AND RATIOS

Non-GAAP Financial Measures

The Company uses several non-GAAP financial measures to measure overall performance of the Company and to assess each of its business units. A financial measure is considered a non-GAAP measure for Canadian securities law purposes if it is presented other than in accordance with generally accepted accounting principles (GAAP) used for the Company's consolidated financial statements. The consolidated financial statements of the Company have been prepared in compliance with IFRS as issued by the IASB. Non-GAAP financial measures do not have a standardized meaning under GAAP and may not be comparable to similar financial measures presented by other issuers. Investors may find these financial measures useful in understanding how management views the underlying business performance of the Company.

Base earnings (loss)

Base earnings (loss) reflect management’s view of the underlying business performance of the Company and provides an alternate measure to understand the underlying business performance compared to IFRS net earnings.

Base earnings (loss) exclude the following items from IFRS reported net earnings:

- Market-related impacts, where actual market returns in the current period are different than longer-term expected returns on assets and liabilities;
- Assumption changes and management actions that impact the measurement of assets and liabilities;
- Acquisition and divestiture costs;
- Restructuring and integration costs;
- Material legal settlements, material impairment charges related to goodwill and intangible assets, impacts of income tax rate changes and other tax impairments, net gains, losses or costs related to the disposition or acquisition of a business; net earnings (loss) from discontinued operations and
- Other items that, when removed, assist in explaining the Company's underlying business performance.

The definition of base earnings (loss) has been refined (in 2023 and applied to 2022 comparative results) to also exclude the following impacts that are included in IFRS reported net earnings for an improved representation of the Company's underlying business performance, as well as for consistency and comparability with financial services industry peers:

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

Lifeco	For the three months ended			For the six months ended	
	June 30 2023	March 31 2023	June 30 2022 (Restated)	**June 30 2023**	June 30 2022 (Restated)
Base earnings	**$ 920**	$ 826	$ 903	**$ 1,746**	$ 1,615
Items excluded from Lifeco base earnings					
Market experience relative to expectations (pre-tax)	**$ (92)**	$ (209)	$ 152	**$ (301)**	$ 1,016
Income tax (expense) benefit	**13**	41	(73)	**54**	(251)
Realized OCI gains / (losses) from asset rebalancing (pre-tax)	**(158)**	—	—	**(158)**	—
Income tax (expense) benefit	**37**	—	—	**37**	—
Assumption changes and management actions (pre-tax)	**(5)**	9	(17)	**4**	(36)
Income tax (expense) benefit	**1**	(2)	2	**(1)**	3
Acquisition and divestiture costs (pre-tax)	**(208)**	—	(71)	**(208)**	(79)
Income tax (expense) benefit	**50**	—	14	**50**	15
Restructuring and integration costs (pre-tax)	**(28)**	(26)	(60)	**(54)**	(77)
Income tax (expense) benefit	**8**	7	16	**15**	21
Amortization of acquisition-related finite life intangibles (pre-tax)	**(49)**	(43)	(49)	**(92)**	(84)
Income tax (expense) benefit	**13**	11	13	**24**	21
Total pre-tax items excluded from base earnings	**$ (540)**	$ (269)	$ (45)	**$ (809)**	$ 740
Impact of items excluded from base earnings on income taxes	**122**	57	(28)	**179**	(191)
Discontinued operations - Asset Management (post-tax)	**(4)**	(19)	(7)	**(23)**	(7)
Net earnings - common shareholders	**$ 498**	$ 595	$ 823	**$ 1,093**	$ 2,157

Canada

	For the three months ended			For the six months ended	
	June 30 2023	March 31 2023	June 30 2022 (Restated)	**June 30 2023**	June 30 2022 (Restated)
Base earnings	**$ 283**	$ 278	$ 340	**$ 561**	$ 564
Items excluded from base earnings					
Market experience relative to expectations (pre-tax)	**$ (179)**	$ (60)	$ 65	**$ (239)**	$ 363
Income tax (expense) benefit	**50**	17	(30)	**67**	(102)
Assumption changes and management actions (pre-tax)	**1**	3	(10)	**4**	(13)
Income tax (expense) benefit	**—**	(1)	1	**(1)**	2
Amortization of acquisition-related finite life intangibles (pre-tax)	**(6)**	(6)	(6)	**(12)**	(12)
Income tax (expense) benefit	**1**	2	2	**3**	3
Acquisition and divestiture costs (pre-tax)	**(3)**	—	—	**(3)**	—
Income tax (expense) benefit	**1**	—	—	**1**	—
Net earnings - common shareholders	**$ 148**	$ 233	$ 362	**$ 381**	$ 805

United States

	For the three months ended			For the six months ended	
	June 30 2023	March 31 2023	June 30 2022 (Restated)	**June 30 2023**	June 30 2022 (Restated)
Base earnings	**$ 265**	$ 218	$ 164	**$ 483**	$ 308
Items excluded from base earnings					
Market experience relative to expectations (pre-tax)	**$ (4)**	$ (5)	$ (8)	**$ (9)**	$ (7)
Income tax (expense) benefit	**—**	—	—	**—**	(1)
Restructuring and integration costs (pre-tax)	**(28)**	(26)	(60)	**(54)**	(77)
Income tax (expense) benefit	**8**	7	16	**15**	21
Amortization of acquisition-related finite life intangibles (pre-tax)	**(37)**	(32)	(39)	**(69)**	(64)
Income tax (expense) benefit	**10**	8	10	**18**	16
Acquisition and divestiture costs (pre-tax)	**(159)**	—	(67)	**(159)**	(69)
Income tax (expense) benefit	**39**	—	14	**39**	15
Discontinued operations - Asset Management (post-tax)	**(4)**	(19)	(7)	**(23)**	(7)
Net earnings - common shareholders	**$ 90**	$ 151	$ 23	**$ 241**	$ 135

Europe

	For the three months ended			For the six months ended	
	June 30 2023	March 31 2023	June 30 2022 (Restated)	**June 30 2023**	June 30 2022 (Restated)
Base earnings	**$ 180**	$ 178	$ 210	**$ 358**	$ 386
Items excluded from base earnings					
Market experience relative to expectations (pre-tax)	**$ 100**	$ (155)	$ 70	**$ (55)**	$ 533
Income tax (expense) benefit	**(16)**	16	(16)	**—**	(91)
Realized OCI gains / (losses) from asset rebalancing (pre-tax)	**(158)**	—	—	**(158)**	—
Income tax (expense) benefit	**37**	—	—	**37**	—
Assumption changes and management actions (pre-tax)	**(1)**	6	(8)	**5**	(19)
Income tax (expense) benefit	**—**	(1)	1	**(1)**	1
Amortization of acquisition-related finite life intangibles (pre-tax)	**(6)**	(5)	(4)	**(11)**	(8)
Income tax (expense) benefit	**2**	1	1	**3**	2
Acquisition and divestiture costs (pre-tax)	**(46)**	—	(4)	**(46)**	(10)
Income tax (expense) benefit	**10**	—	—	**10**	—
Net earnings (loss) - common shareholders	**$ 102**	$ 40	$ 250	**$ 142**	$ 794

Capital and Risk Solutions

	For the three months ended			For the six months ended	
	June 30 2023	March 31 2023	June 30 2022 (Restated)	**June 30 2023**	June 30 2022 (Restated)
Base earnings	**$ 203**	$ 157	$ 190	**$ 360**	$ 361
Items excluded from base earnings					
Market experience relative to expectations (pre-tax)	**$ (9)**	$ 22	$ 11	**$ 13**	$ 108
Income tax (expense) benefit	**(21)**	5	(23)	**(16)**	(52)
Assumption changes and management actions (pre-tax)	**(5)**	—	1	**(5)**	(4)
Income tax (expense) benefit	**1**	—	—	**1**	—
Net earnings - common shareholders	**$ 169**	$ 184	$ 179	**$ 353**	$ 413

Lifeco Corporate	For the three months ended			For the six months ended	
	June 30 2023	March 31 2023	June 30 2022 (Restated)	**June 30 2023**	June 30 2022 (Restated)
Base earnings (loss)	**$ (11)**	$ (5)	$ (1)	**$ (16)**	$ (4)
Items excluded from base earnings (loss)					
Market experience relative to expectations (pre-tax)	**$ —**	$ (11)	$ 14	**$ (11)**	$ 19
Income tax (expense) benefit	**—**	3	(4)	**3**	(5)
Net earnings (loss) - common shareholders	**$ (11)**	$ (13)	$ 9	**$ (24)**	$ 10

Base earnings - insurance service result - Represents the profit earned from providing insurance coverage and comprises the expected insurance earnings, impacts of new insurance business written and insurance experience gains and losses for the Company's insurance businesses. This metric is presented on a common shareholders' basis by removing the participating account results.

Base earnings - net investment result - Represents the difference between management's expected return on assets backing insurance contract liabilities and the unwinding of discount rates used to measure corresponding insurance contract liabilities. Includes the release of credit provisions into profit and the impact of credit experience for the period as well as the impact of certain trading activity on fixed income assets and non-directly attributable investment expenses. Additionally, includes expected investment income on surplus assets net of associated investment expenses. This metric is presented on a common shareholders' basis by removing the participating account results. This measure removes spread income earned on certain investment products which represents the difference between earned rates and rates credited to clients.

Assets under management (AUM) and assets under administration (AUA)

Assets under management and assets under administration are non-GAAP measures that provide an indicator of the size and volume of the Company's overall business. Administrative services are an important aspect of the overall business of the Company and should be considered when comparing volumes, size and trends.

Total assets under administration includes total assets per financial statements, proprietary mutual funds and institutional assets and other assets under administration.

Lifeco	**June 30 2023**	March 31 2023
Total assets per financial statements[1]	**$ 690,003**	$ 691,853
Other AUM[1]	**352,370**	348,361
Total AUM[1]	**$ 1,042,373**	$ 1,040,214
Other AUA	**1,601,005**	1,555,937
Total AUA[1]	**$ 2,643,378**	$ 2,596,151

[1] Figures include assets held for sale and other AUM related to the discontinued operations of Putnam Investments.

Canada

	June 30 2023	March 31 2023
Canada wealth fee business AUA		
Segregated fund assets	**$ 98,216**	$ 97,426
Other AUM	**3,971**	3,960
Wealth fee business other AUA	**25,141**	24,736
Total Canada wealth fee business AUA	**$ 127,328**	$ 126,122
Add: Other balance sheet assets	**$ 98,457**	$ 98,876
Add: Other AUA	**2,221**	2,253
Consolidated Canada balance sheet assets	**$ 196,673**	$ 196,302
Consolidated Canada other AUM	**3,971**	3,960
Consolidated Canada other AUA	**27,362**	26,989
Total Canada AUA	**$ 228,006**	$ 227,251

United States

	June 30 2023	March 31 2023
Empower AUA		
General account	**$ 91,817**	$ 97,375
Segregated funds	**170,566**	174,625
Other AUM	**92,860**	90,359
Other AUA	**1,562,088**	1,517,070
Empower AUA	**$ 1,917,331**	$ 1,879,429
Putnam other AUM	**$ 228,206**	$ 228,282
Subtotal	**$ 2,145,537**	$ 2,107,711
Add: Other AUM consolidated adjustment	**$ (30,895)**	$ (31,098)
Add: Other balance sheet assets	**37,906**	31,444
Consolidated United States balance sheet assets	**$ 300,289**	$ 303,444
Consolidated United States other AUM	**290,171**	287,543
Consolidated United States other AUA	**1,562,088**	1,517,070
Total United States AUA	**$ 2,152,548**	$ 2,108,057

Europe

	June 30 2023	March 31 2023
Europe wealth and investment only AUA		
Segregated fund assets	**$ 135,542**	$ 133,095
Other AUM	**58,228**	56,858
Other AUA	**11,555**	11,878
Total Europe wealth and investment only AUA	**$ 205,325**	$ 201,831
Add: Other balance sheet assets	**$ 48,812**	$ 49,772
Consolidated Europe balance sheet assets	**$ 184,354**	$ 182,867
Consolidated Europe other AUM	**58,228**	56,858
Consolidated Europe other AUA	**11,555**	11,878
Total Europe AUA	**$ 254,137**	$ 251,603

Non-GAAP Ratios

A non-GAAP ratio is a financial measure in the form of a ratio, fraction, percentage or similar representation that is not disclosed in the financial statements of the Company and has a non-GAAP financial measure as one or more of its components. These financial measures do not have a standardized definition under IFRS and might not be comparable to similar financial measures disclosed by other issuers.

The non-GAAP ratios disclosed by the Company each use base earnings (loss) as the non-GAAP component. Base earnings (loss) reflect management's view of the underlying business performance of the Company and provides an alternate measure to understand the underlying business performance compared to IFRS net earnings.

- **Base dividend payout ratio** - Dividends paid to common shareholders are divided by base earnings (loss).
- **Base earnings per share** - Base earnings (loss) for the period is divided by the number of average common shares outstanding for the period.
- **Base earnings per share (diluted)** - Base earnings (loss) for the period is divided by the number of average common shares outstanding on a diluted basis for the period.
- **Base return on equity** - Base earnings (loss) for the trailing four quarters are divided by the average common shareholders' equity over the trailing four quarters. This measure provides an indicator of business unit profitability.
- **Cost of management ratio** - Compares the amount paid by the Company to compensate its Named Executive Officers (NEOs) relative to the Company's base earnings for the same period. Calculated by dividing total annual compensation paid to NEOs (as disclosed in the Executive Compensation section of the Company's management proxy circular) by base earnings for the year.
- **Effective income tax rate - base earnings - common shareholders** - Calculated by adjusting the Company's reported income taxes and net earnings before income taxes attributable to common shareholders to remove the impact of items excluded from base earnings, to calculate the effective tax rates for common shareholders.

GLOSSARY

- **Assumption changes and management actions** - The net earnings impact of: (i) revisions to the methodologies and assumptions used in the measurement of the Company's assets, insurance contract liabilities and investment contract liabilities, and (ii) actions taken by management in the current reporting period which include, but are not limited to, changes in in-force product features (including prices), and new or revised reinsurance deals on in-force business. Assumption changes and management actions are excluded from base earnings.
- **Book value per common share** - Measure is calculated by dividing Lifeco's common shareholder's equity by the number of common shares outstanding at the end of the period.
- **Common shareholder's equity** - A financial measure comprised of the following items from Lifeco's balance sheet: share capital - common shares, accumulated surplus, accumulated other comprehensive income and contributed surplus.
- **Dividend payout ratio** - Dividends paid to common shareholders are divided by net earnings - common shareholders.
- **Drivers of earnings (DOE)** - Drivers of earnings analysis provides additional detail on the primary sources of Lifeco's earnings and is a consistent presentation across Canadian insurance industry peers. The DOE view presents net earnings attributable to common shareholders, comprising base earnings on a DOE basis and items excluded from base earnings. For base insurance service result, the DOE view provides detail on expected insurance earnings, the impact of new business and experience gains and losses. For base net investment result, the DOE view provides detail on expected investment earnings and earnings on surplus. Base other income and expenses are presented separately in the DOE view with additional detail on fee and other income, non-directly attributable and other expenses, income taxes on base earnings, non-controlling interests, preferred dividends and other items.
- **Financial leverage ratio** - Defined as debt, hybrid securities, and preferred shares divided by total consolidated capitalization. The denominator also includes the after-tax non-participating CSM balance in the denominator, other than CSM associated with segregated fund guarantees. This reflects that the CSM represents future profit and is considered available capital under LICAT.
- **Impact of currency movement (constant currency basis) -** Items impacting the Company's Consolidated Statements of Earnings, such as income and benefits and expenses and net earnings, are translated into Canadian dollars at an average rate for the period. These measures highlight the impact of changes in currency translation rates on Canadian dollar equivalent IFRS results and have been calculated using the average rates, as shown below, in effect at the date of the comparative period. These measures provide useful information as it facilitates the comparability of results between periods.

	Period ended	
	June 30, 2023	June 30, 2022
United States dollar	**1.34**	1.28
British pound	**1.68**	1.60
Euro	**1.46**	1.36

- **Market experience relative to expectations** - The net earnings impact related to the direct equity and interest rate market impacts on insurance and investment contract liabilities, net of hedging, and related deferred tax liabilities, which includes:
  - the impact of hedge ineffectiveness related to segregated fund guarantee liabilities that are hedged and the performance of the related hedge assets;
  - the impact on segregated fund guarantee liabilities not hedged;

- the market-related impacts that are different than expectations on surplus assets, general account assets and the insurance and investment contract liabilities they support;
- other market impacts on general account assets and the insurance and investment contract liabilities they support that cannot be attributed to expectations within the period.

- **Group Life & Health book premiums** - For group life & health insurance, this measure represents the value of in-force premiums at the end of the reporting period.
- **Net cash flows and net flows** - Indicator of the Company's ability to attract and retain business. Net cash flows and net asset flows are measured by the following:
  - Canada wealth management net cash flows include cash inflows and outflows related to segregated fund assets and proprietary and non-proprietary mutual funds.
  - Europe wealth and investment only net cash flows include cash inflows and outflows related to segregated fund assets, proprietary mutual funds and institutional assets as well as other assets under administration.
  - Empower net cash flows include cash inflows and outflows related to segregated fund assets, general fund assets, proprietary and non-proprietary mutual funds as well as other assets under management.
  - PanAgora net flows include institutional sales and redemptions.
- **Office of the Superintendent of Financial Institutions Canada (OSFI)** - Is an independent Canadian federal government agency that regulates and supervises federally regulated financial institutions and pension plans to determine whether they are in sound financial condition and meeting their requirements.
- **Other assets under administration** - Includes assets where the Company only provides administration services for which the Company earns fees and other income. These assets are beneficially owned by the clients and the Company does not direct the investing activities. Services provided relating to assets under administration include recordkeeping, safekeeping, collecting investment income, settling of transactions or other administrative services. Administrative services are an important aspect of the overall business of the Company and should be considered when comparing volumes, size and trends.
- **Other assets under management** - Includes external client funds where the Company has oversight of the investment policies. Services provided in respect of proprietary mutual funds and institutional assets include the selection of investments, the provision of investment advice and discretionary portfolio management on behalf of clients.
- **Price/book value ratio** - The Company's closing share price divided by its book value per share.
- **Price/earnings ratio** - The Company's closing share price divided by its net earnings per share on a trailing four quarter basis.
- **Return on common shareholder's equity (ROE)** - Net earnings (loss) for the trailing four quarters are divided by the average common shareholders' equity over the trailing four quarters. This measure provides an indicator of business unit profitability.
- **Sales** - Sales are measured according to product type:
  - For risk-based insurance and annuity products, sales include 100% of single premium and annualized premiums expected in the first twelve months of the plan.
  - Group insurance and ASO sales reflect annualized premiums and premium equivalents for new policies and new benefits covered or expansion of coverage on existing policies.
  - For individual wealth management products, sales include deposits on segregated fund products, proprietary mutual funds and institutional accounts as well as deposits on non-proprietary mutual funds.

- For group wealth management products, sales include assets transferred from previous plan providers and the expected annual contributions from the new plan.

- **Segmented common shareholder's equity** - The Company has a capital allocation methodology, which allocates financing costs in proportion to allocated capital. For the Canada, Europe and Capital and Risk Solutions segments (essentially Canada Life), this allocation method generally tracks the regulatory capital requirements, while for Empower and Putnam, it tracks the financial statement carrying value of the business units. Total leverage capital is consistently allocated across all business units in proportion to total capital resulting in a debt-to-equity ratio in each business unit mirroring the consolidated Company.

  The capital allocation methodology allows the Company to calculate comparable ROE for each business unit. These ROEs are therefore based on the capital the business unit has been allocated and the financing charges associated with that capital. IFRS does not prescribe the calculation of ROE and therefore a comparable measure under IFRS is not available.

DISCLOSURE CONTROLS AND PROCEDURES

The Company’s disclosure controls and procedures are designed to provide reasonable assurance that information relating to the Company which is required to be disclosed in reports filed under provincial and territorial securities legislation is: (a) recorded, processed, summarized and reported within the time periods specified in the provincial and territorial securities legislation, and (b) accumulated and communicated to the Company's senior management, including the President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

There have been no changes during the three month period ended June 30, 2023 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

TRANSACTIONS WITH RELATED PARTIES

On April 3, 2023, the Company announced that Canada Life had reached an agreement to acquire Investment Planning Counsel Inc., a leading independent wealth management firm, from IGM Financial Inc. (IGM) for total cash consideration of $575 million, subject to adjustments. IGM is an affiliated company and a member of the Power Corporation group of companies. Therefore, the transaction was reviewed and approved by the Conduct Review Committee of each of the Company and Canada Life. The transaction is expected to close in the fourth quarter of 2023, subject to regulatory and customary closing conditions.

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

Otherwise, related party transactions have not changed materially from December 31, 2022.

QUARTERLY FINANCIAL INFORMATION

Quarterly financial information
(in $ millions, except per share amounts)

	IFRS 17/9 Presentation						IFRS 4/39 Presentation	
	2023		2022 (Restated)				2021	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Total revenue[1]	**$ 5,940**	$ 12,110	$ 10,250	$ 556	$ (5,581)	$ (3,841)	$ 18,122	$ 17,432
Net earnings - Common Shareholders								
Total	**$ 498**	$ 595	$ 452	$ 987	$ 823	$ 1,334	$ 765	$ 872
Basic - per share	**0.53**	0.64	0.48	1.06	0.88	1.43	0.82	0.94
Diluted - per share	**0.53**	0.64	0.48	1.06	0.88	1.43	0.82	0.94

[1] Comparative results for the periods reported under IFRS 17/9 Presentation are restated to exclude discontinued operations related to Putnam Investments.

Lifeco's consolidated net earnings attributable to common shareholders were $498 million for the second quarter of 2023 compared to $823 million for the same quarter last year. On a per share basis, this represents $0.53 per common share ($0.53 diluted) for the second quarter of 2023 compared to $0.88 per common share ($0.88 diluted) a year ago.

Total revenue for the second quarter of 2023 was $5,940 million and comprises insurance revenue of $5,081 million ($4,762 million for the same quarter last year), net investment income of $2,061 million ($2,000 million for the same quarter last year), a change in fair value through profit or loss on investment assets of negative $2,668 million (change of negative $13,660 million for the same quarter last year) and fee and other income of $1,466 million ($1,317 million for the same quarter last year).

TRANSLATION OF FOREIGN CURRENCY

Through its operating subsidiaries, Lifeco conducts business in multiple currencies. The four primary currencies are the Canadian dollar, the U.S. dollar, the British pound and the euro. Throughout this document, foreign currency assets and liabilities are translated into Canadian dollars at the market rate at the end of the reporting period. All income and expense items are translated at an average rate for the period. The rates employed are:

Translation of foreign currency **Period ended**	**June 30 2023**	Mar. 31 2023	Dec. 31 2022	Sept. 30 2022	June 30 2022	Mar. 31 2022
United States dollar						
Balance sheet	**$ 1.32**	$ 1.35	$ 1.35	$ 1.38	$ 1.29	$ 1.25
Income and expenses	**$ 1.34**	$ 1.35	$ 1.36	$ 1.31	$ 1.28	$ 1.27
British pound						
Balance sheet	**$ 1.68**	$ 1.67	$ 1.64	$ 1.54	$ 1.57	$ 1.64
Income and expenses	**$ 1.68**	$ 1.64	$ 1.59	$ 1.54	$ 1.60	$ 1.70
Euro						
Balance sheet	**$ 1.45**	$ 1.47	$ 1.45	$ 1.35	$ 1.35	$ 1.38
Income and expenses	**$ 1.46**	$ 1.45	$ 1.39	$ 1.31	$ 1.36	$ 1.42

ADDITIONAL INFORMATION

Additional information relating to Lifeco, including Lifeco's most recent consolidated financial statements, CEO/CFO certification and Annual Information Form are available at www.sedar.com.

GREAT-WEST LIFECO INC.

CONSOLIDATED STATEMENTS OF EARNINGS *(unaudited)*

(in Canadian $ millions except per share amounts)

	For the three months ended June 30		For the six months ended June 30	
	2023	2022 (Restated)	**2023**	2022 (Restated)
Insurance service result				
Insurance revenue (note 8)	**$ 5,081**	$ 4,762	**$ 10,118**	$ 9,542
Insurance service expenses (note 9)	**(3,963)**	(3,545)	**(7,958)**	(7,282)
Net expense from reinsurance contracts	**(415)**	(419)	**(757)**	(781)
	703	798	**1,403**	1,479
Net investment result (note 5)				
Net investment income	**2,061**	2,000	**4,162**	3,482
Changes in fair value on fair value through profit or loss assets	**(2,668)**	(13,660)	**904**	(24,952)
	(607)	(11,660)	**5,066**	(21,470)
Net finance income (expenses) from insurance contracts	**631**	9,013	**(2,939)**	17,240
Net finance income (expenses) from reinsurance contracts	**(6)**	(544)	**87**	(997)
Changes in investment contract liabilities	**286**	3,775	**(1,596)**	6,965
	304	584	**618**	1,738
Net investment result - insurance contracts on account of segregated fund policyholders				
Net investment income (loss)	**914**	(4,065)	**2,635**	(5,449)
Net finance income (expenses) from insurance contracts	**(914)**	4,065	**(2,635)**	5,449
	—	—	**—**	—
Other income and expenses				
Fee and other income	**1,466**	1,317	**2,866**	2,506
Operating and administrative expenses (note 9)	**(1,571)**	(1,468)	**(3,100)**	(2,707)
Amortization of finite life intangible assets	**(97)**	(89)	**(187)**	(169)
Financing costs	**(104)**	(95)	**(219)**	(183)
Restructuring and integration expenses	**(19)**	(60)	**(45)**	(77)
Earnings before income taxes	**682**	987	**1,336**	2,587
Income taxes (note 17)	**56**	123	**86**	330
Net earnings from continuing operations before non-controlling interests	**626**	864	**1,250**	2,257
Net loss from discontinued operations (note 4)	**(71)**	(7)	**(90)**	(7)
Net earnings before non-controlling interests	**555**	857	**1,160**	2,250
Attributable to non-controlling interests	**24**	1	**2**	28
Net earnings	**531**	856	**1,158**	2,222
Preferred share dividends (note 14)	**33**	33	**65**	65
Net earnings - common shareholders	**$ 498**	$ 823	**$ 1,093**	$ 2,157
Earnings per common share from continuing operations (note 14)				
Basic	**$ 0.61**	$ 0.89	**$ 1.27**	$ 2.32
Diluted	**$ 0.61**	$ 0.89	**$ 1.27**	$ 2.32
Earnings per common share (note 14)				
Basic	**$ 0.53**	$ 0.88	**$ 1.17**	$ 2.32
Diluted	**$ 0.53**	$ 0.88	**$ 1.17**	$ 2.31

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME *(unaudited)*

(in Canadian $ millions)

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	**2023**	2022
		(Restated)		(Restated)
Net earnings	**$ 531**	$ 856	**$ 1,158**	$ 2,222
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	**(297)**	(4)	**(153)**	(568)
Unrealized gains (losses) on hedges of the net investment in foreign operations	**36**	91	**10**	221
Income tax (expense) benefit	**(10)**	5	**(8)**	(7)
Unrealized gains (losses) on bonds and mortgages at fair value through other comprehensive income	**(197)**	(408)	**(12)**	(889)
Income tax (expense) benefit	**3**	80	**(40)**	175
Realized (gains) losses on bonds and mortgages at fair value through other comprehensive income	**178**	13	**214**	25
Income tax expense (benefit)	**(4)**	(2)	**(12)**	(2)
Unrealized gains (losses) on cash flow hedges	**33**	(43)	**70**	(51)
Income tax (expense) benefit	**(9)**	11	**(19)**	13
Realized (gains) losses on cash flow hedges	**(18)**	13	**(47)**	6
Income tax expense (benefit)	**5**	(4)	**13**	(2)
Non-controlling interests	**54**	96	**(40)**	280
Income tax (expense) benefit	**(14)**	(27)	**12**	(73)
Total items that may be reclassified	**(240)**	(179)	**(12)**	(872)
Items that will not be reclassified to Consolidated Statements of Earnings				
Re-measurements on defined benefit pension and other post-employment benefit plans (note 16)	**(9)**	150	**(66)**	562
Income tax (expense) benefit	**4**	(32)	**19**	(143)
Non-controlling interests	**1**	(12)	**5**	(45)
Income tax (expense) benefit	**—**	3	**(1)**	12
Total items that will not be reclassified	**(4)**	109	**(43)**	386
Total other comprehensive loss	**(244)**	(70)	**(55)**	(486)
Comprehensive income	**$ 287**	$ 786	**$ 1,103**	$ 1,736

GREAT-WEST
LIFECO INC.

CONSOLIDATED BALANCE SHEETS *(unaudited)*

(in Canadian $ millions)

	June 30 2023	December 31 2022 (Restated)	January 1 2022 (Restated)
Assets			
Cash and cash equivalents	**$ 7,171**	$ 7,290	$ 6,075
Bonds (note 5)	**152,325**	156,091	142,655
Mortgage loans (note 5)	**36,929**	37,197	29,357
Stocks (note 5)	**14,793**	14,301	14,225
Investment properties (note 5)	**8,210**	8,344	7,763
	219,428	223,223	200,075
Insurance contract assets (note 10)	**1,090**	1,140	1,533
Reinsurance contract held assets (note 11)	**16,778**	17,571	21,843
Assets held for sale (note 4)	**4,433**	—	—
Goodwill	**10,510**	10,611	9,107
Intangible assets	**4,538**	6,230	5,514
Derivative financial instruments	**2,361**	2,314	967
Owner occupied properties	**717**	724	736
Fixed assets	**342**	399	422
Accounts and interest receivable	**4,604**	4,355	3,210
Other assets	**12,754**	15,949	14,435
Current income taxes	**150**	338	268
Deferred tax assets	**1,682**	1,470	1,325
Investments on account of segregated fund policyholders (note 12)	**410,616**	387,882	357,419
Total assets	**$ 690,003**	$ 672,206	$ 616,854
Liabilities			
Insurance contract liabilities (note 10)	**$ 136,774**	$ 135,438	$ 157,910
Investment contract liabilities	**89,777**	94,810	53,694
Reinsurance contract held liabilities (note 11)	**625**	537	1,290
Liabilities held for sale (note 4)	**2,424**	—	—
Debentures and other debt instruments	**9,201**	10,509	8,804
Derivative financial instruments	**1,347**	1,639	1,030
Accounts payable	**2,754**	2,758	2,469
Other liabilities	**6,896**	8,913	6,293
Current income taxes	**112**	152	193
Deferred tax liabilities	**703**	773	677
Insurance contracts on account of segregated fund policyholders (note 12)	**59,220**	57,841	65,253
Investment contracts on account of segregated fund policyholders (note 12)	**351,396**	330,041	292,166
Total liabilities	**661,229**	643,411	589,779
Equity			
Non-controlling interests			
Participating account surplus in subsidiaries	**2,764**	2,734	2,984
Non-controlling interests in subsidiaries	**162**	152	129
Shareholders' equity			
Share capital			
Limited recourse capital notes	**1,500**	1,500	1,500
Preferred shares	**2,720**	2,720	2,720
Common shares (note 13)	**5,846**	5,791	5,748
Accumulated surplus	**14,910**	14,976	13,216
Accumulated other comprehensive income	**661**	713	586
Contributed surplus	**211**	209	192
Total equity	**28,774**	28,795	27,075
Total liabilities and equity	**$ 690,003**	$ 672,206	$ 616,854

GREAT-WEST LIFECO INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY *(unaudited)*

(in Canadian $ millions)

	June 30, 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	**—**	**—**	**1,158**	**—**	**2**	**1,160**
Other comprehensive income (loss)	**—**	**—**	**—**	**(55)**	**24**	**(31)**
	10,011	**209**	**16,101**	**661**	**2,912**	**29,894**
Dividends to shareholders						
Preferred shareholders (note 14)	**—**	**—**	**(65)**	**—**	**—**	**(65)**
Common shareholders	**—**	**—**	**(969)**	**—**	**—**	**(969)**
Shares exercised and issued under share-based payment plans (note 13)	**71**	**(40)**	**—**	**—**	**33**	**64**
Shares purchased and cancelled under Normal Course Issuer Bid (note 13)	**(94)**	**—**	**—**	**—**	**—**	**(94)**
Equity-settlement of Putnam share-based plans	**—**	**—**	**—**	**—**	**(8)**	**(8)**
Excess of redemption proceeds over stated capital per Normal Course Issuer Bid (note 13)	**78**	**—**	**(78)**	**—**	**—**	**—**
Share cancelled under Putnam share-based plans	**—**	**3**	**—**	**—**	**(3)**	**—**
Share-based payment plans expense	**—**	**39**	**—**	**—**	**—**	**39**
Acquisition of non-controlling interest in subsidiary	**—**	**—**	**(52)**	**—**	**(35)**	**(87)**
Dilution loss on non-controlling interests	**—**	**—**	**(27)**	**—**	**27**	**—**
Balance, end of period	**$ 10,066**	**$ 211**	**$ 14,910**	**$ 661**	**$ 2,926**	**$ 28,774**

	June 30, 2022 (Restated)					
	Share capital	Contributed surplus	Accumulated surplus	Accumulated other comprehensive income (loss)	Non-controlling interests	Total equity
Balance, beginning of year	$ 9,968	$ 192	$ 16,424	$ 632	$ 3,267	$ 30,483
Impact of initial application of IFRS 17 (note 3)	—	—	(4,835)	—	(517)	(5,352)
Impact of application of IFRS 9 overlay (note 3)	—	—	1,627	(46)	363	1,944
Revised balance, beginning of year	9,968	192	13,216	586	3,113	27,075
Net earnings	—	—	2,222	—	28	2,250
Other comprehensive loss	—	—	—	(486)	(174)	(660)
	9,968	192	15,438	100	2,967	28,665
Dividends to shareholders						
Preferred shareholders (note 14)	—	—	(65)	—	—	(65)
Common shareholders	—	—	(913)	—	—	(913)
Shares exercised and issued under share-based payment plans (note 13)	40	(32)	—	—	28	36
Share-based payment plans expense	—	36	—	—	—	36
Equity settlement of Putnam share-based plans	—	—	—	—	(53)	(53)
Shares cancelled under Putnam share-based plans	—	1	—	—	(1)	—
Preferred share redemption costs	—	—	(3)	—	—	(3)
Dilution loss on non-controlling interests	—	—	56	—	(56)	—
Balance, end of period	$ 10,008	$ 197	$ 14,513	$ 100	$ 2,885	$ 27,703

CONSOLIDATED STATEMENTS OF CASH FLOWS *(unaudited)*

(in Canadian $ millions)

	For the six months ended June 30	
	2023	2022
Operations		(Restated)
Earnings before income taxes	**$ 1,221**	$ 2,577
Income taxes paid, net of refunds received	**(248)**	(169)
Adjustments:		
Change in insurance contract liabilities	**1,619**	(22,233)
Change in investment contract liabilities	**(3,066)**	(4,715)
Change in reinsurance contract held liabilities	**85**	1,489
Change in reinsurance contract held assets	**522**	1,856
Change in insurance contract assets	**(299)**	(116)
Changes in fair value through profit or loss	**(904)**	24,952
Other	**663**	223
	(407)	3,864
Financing Activities		
Issue of common shares	**71**	40
Purchased and cancelled common shares	**(94)**	—
Repayment of euro denominated debt	**(735)**	—
Increase in line of credit of subsidiaries	**—**	1,028
Decrease in line of credit of subsidiaries	**(468)**	(63)
Decrease in debentures and other debt instruments	**—**	(19)
Preferred share redemption costs	**—**	(3)
Dividends paid on common shares	**(969)**	(913)
Dividends paid on preferred shares	**(65)**	(65)
	(2,260)	5
Investment Activities		
Bond sales and maturities	**16,004**	16,638
Mortgage loan repayments	**2,011**	1,646
Stock sales	**2,075**	1,882
Investment property sales	**92**	5
Business acquisitions, net of cash and cash equivalents acquired	**—**	(2,149)
Investment in bonds	**(12,940)**	(14,155)
Investment in mortgage loans	**(1,894)**	(3,466)
Investment in stocks	**(2,328)**	(1,903)
Investment in investment properties	**(146)**	(458)
	2,874	(1,960)
Effect of changes in exchange rates on cash and cash equivalents	**(68)**	(60)
Increase in cash and cash equivalents	**139**	1,849
Cash and cash equivalents, beginning of year	**7,290**	6,075
Cash and cash equivalents from continuing and discontinued operations, end of period	**$ 7,429**	$ 7,924
Less: Cash and cash equivalents from discontinued operations, end of period (note 4)	**258**	—
Cash and cash equivalents, end of period - continuing operations	**$ 7,171**	$ 7,924
Supplementary cash flow information		
Interest income received	**$ 3,636**	$ 2,549
Interest paid	**216**	195
Dividend income received	**205**	183

CONDENSED NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(unaudited)*

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

1. Corporate Information

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

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

The condensed consolidated interim unaudited financial statements (financial statements) of the Company as at and for the three and six months ended June 30, 2023 were approved by the Board of Directors on August 8, 2023.

2. Basis of Presentation and Summary of Material Accounting Policies

These financial statements should be read in conjunction with the Company's December 31, 2022 consolidated annual audited financial statements and notes thereto.

The financial statements of the Company at June 30, 2023 have been prepared in compliance with the requirements of International Accounting Standard 34, *Interim Financial Reporting* (IAS 34) as issued by the International Accounting Standards Board (IASB) using the same accounting policies and methods of computation followed in the consolidated annual audited financial statements for the year ended December 31, 2022 except as described below.

Changes in Accounting Policies

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

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

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

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

Accounting Policies Impacted by IFRS 9

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

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

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

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

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

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

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

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

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

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

Fair Value Measurement

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

Bonds - FVTPL and FVOCI

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

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

Mortgages - FVTPL and FVOCI

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

Equity Release Mortgages - FVTPL

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

Stocks - FVTPL

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

Hedge Accounting

As permitted under IFRS 9, the Company has elected to continue to apply the hedge accounting principles under IAS 39 instead of those under IFRS 9. The Company’s accounting policy for hedge accounting is disclosed in the notes to the December 31, 2022 consolidated annual audited financial statements.

Expected Credit Losses

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

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

Measurement of Expected Credit Losses

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

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

Stage 1

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

Stage 2

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

Stage 3

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

Presentation of Expected Credit Losses

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

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

Accounting Policies Impacted by IFRS 17

Contract Classification

Insurance Contracts

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

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

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

Reinsurance Contracts Held

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

Separating Components from Insurance and Reinsurance Contracts

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

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

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

Level of Aggregation

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

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

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

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

Initial Recognition

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

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

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

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

Contract Boundaries

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

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

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

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

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

Measurement of Insurance Contracts

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

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

The General Measurement Model

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

Initial Measurement

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

Fulfillment Cash Flows

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

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

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

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

Contractual Service Margin

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

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

Discount Rates

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

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

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

Risk Adjustment

The risk adjustment for non-financial risk represents the compensation that the Company requires for bearing uncertainty in the amount and timing of insurance contract cash flows due to non-financial risk. 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 in the Company. The Company's target range for the confidence level of the risk adjustment is between the 85th and 90th percentile, and the risk adjustment currently sits 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.

<u>The Variable Fee Approach</u>

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

Recognition

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

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

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

Initial Measurement

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

Subsequent Measurement

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

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

Risk Mitigation

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

Premium Allocation Approach

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

Recognition

Contracts with Coverage Periods of One Year or Less

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

Contracts with Coverage Periods of More than One Year

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

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

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

Measurement

Initial Measurement of the Liability for Remaining Coverage

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

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

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

Subsequent Measurement

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

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

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

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

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.

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
- 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.

Other Changes in Accounting Policies

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

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

Use of Significant Judgments, Estimates and Assumptions - Application of IFRS 17 and IFRS 9

In preparation of these financial statements, management is required to make significant judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, net earnings and related disclosures. Although some uncertainty is inherent in these judgments and estimates, management believes that the amounts recorded are reasonable. Key sources of estimation uncertainty and areas where significant judgments have been made are further described in the relevant accounting policies as described in note 2 of the Company's December 31, 2022 consolidated annual audited financial statements and notes thereto. Significant judgments, estimates and assumptions that have changed or are new under IFRS 17 and IFRS 9 include:

- Management uses judgment to evaluate the classification of insurance and reinsurance contracts to determine whether these arrangements should be accounted for as insurance, investment or service contracts.
- The actuarial assumptions, such as mortality, longevity, morbidity, expense and policyholder behaviour, used in the valuation of insurance and certain investment contract liabilities require significant judgment and estimation (note 10).
- Management uses judgment in determining the coverage units which are based on an estimate of the quantity of coverage provided by the contracts in a group, considering the quantity of benefits provided and the expected coverage duration.
- In determining discount rates to apply to most insurance contract liability cash flows, the Company generally uses the top-down approach for cash flows of non-participating contracts that do not depend on underlying items. Applying this approach, the Company uses the yield curve implied in a reference portfolio of assets and adjusts it to exclude the effects of risks (e.g. credit risk) present in the cash flows from the financial instruments that are part of the reference portfolio, but not in the insurance cash flows. One of the key sources of estimation uncertainty is estimating the market risk premiums for credit risk of the underlying items that are only relevant to assets included in the reference portfolio, but not to the non-participating contracts. For some products, discount rates are set using a bottom-up approach, based on risk-free rates, plus an illiquidity premium, which also requires judgment.

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

As at June 30, 2023		**Year 1**	**Year 5**	**Year 10**	**Year 20**	**Year 30**	**Year 50**
CAD	**Lower**	**6.6 %**	**5.0 %**	**4.7 %**	**4.6 %**	**4.5 %**	**4.8 %**
	Upper	**7.0 %**	**5.4 %**	**5.1 %**	**5.1 %**	**4.9 %**	**5.0 %**
USD	**Lower**	**6.6 %**	**5.3 %**	**5.0 %**	**5.4 %**	**5.0 %**	**4.8 %**
	Upper	**7.0 %**	**5.8 %**	**5.4 %**	**5.8 %**	**5.4 %**	**5.1 %**
EUR	**Lower**	**3.6 %**	**2.8 %**	**2.6 %**	**2.7 %**	**3.0 %**	**4.3 %**
	Upper	**5.3 %**	**4.4 %**	**4.3 %**	**4.4 %**	**4.4 %**	**4.6 %**
GBP	**Lower**	**6.0 %**	**5.3 %**	**4.9 %**	**5.1 %**	**4.9 %**	**4.0 %**
	Upper	**7.1 %**	**6.4 %**	**6.0 %**	**6.2 %**	**6.0 %**	**5.2 %**

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

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

The Company disclosed forward rates in note 2 of its March 31, 2023 interim unaudited financial statements. The Company now presents spot rates to better illustrate the discount rates applied. There is no impact to the calculation of insurance contract liabilities.

- When determining the risk adjustment for non-financial risk, the Company applies significant 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, with fulfillment cash flow expectations determined on a probability-weighted basis. The Company determines the appropriate level at which reasonable and supportable information is available to make this assessment. The Company applies judgment in determining at what level of granularity the Company has sufficient information to conclude that all contracts within a set will be in the same group.
- For contracts issued more than several years prior to the IFRS 17 effective date, the Company applied significant judgment in determining that obtaining reasonable and supportable information to apply the full retrospective approach was impracticable without undue cost or effort.
- The measurement of impairment losses under IFRS 9 across relevant financial assets requires judgment, in particular for the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk.

Use of Significant Judgments, Estimates and Assumptions - Discontinued Operations and Assets and Liabilities Held for Sale

- Management uses 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).

Future Accounting Policies

The Company actively monitors changes in IFRS, both proposed and released, by the IASB for potential impact on the Company. The following sets out standards released and updates to the Company's analysis since the year ended December 31, 2022:

Standard	**Summary of Future Changes**
IAS 7 – *Statement of Cash Flows* and IFRS 7 – *Financial Instruments: Disclosures*	In May 2023, the IASB published amendments to IAS 7, *Statement of Cash Flows* and IFRS 7, *Financial Instruments: Disclosure*. The amendments require an entity to provide additional disclosures about its supplier finance arrangements. These amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. The Company is evaluating the impact of the adoption of these amendments.

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

IFRS 17

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

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

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

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

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

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

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

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

IFRS 9

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Reconciliation of consolidated net earnings from IFRS 4 and IAS 39 to IFRS 17 and 9 overlay

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

CSM movement by measurement component upon transition

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

3. Transition to IFRS 17 and IFRS 9 - Transition Impacts (cont'd)

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

Transition to IFRS 9

Effect of initial application - IFRS 9 Assets

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

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

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

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

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

[1] An immaterial classification item was corrected related to certain comparative figures from those disclosed in the March 31, 2023 interim unaudited financial statements regarding the fair value classification of certain bond investments upon the adoption of IFRS 9. Bonds classified as FVTPL were overstated by $544 and bonds classified as FVOCI were understated by $544.

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

Allowance for credit losses

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

The ECL allowance was $36 at June 30, 2023, of which $4 was Stage 1 and $32 was Stage 2.

4. Business Acquisitions and Other Transactions

(a) Sale of Putnam US Holdings I

On May 31, 2023, the Company announced that it had reached an agreement to sell Putnam US Holdings I, LLC (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, for an estimated transaction consideration of U.S. $1.5 billion (approximately $2.0 billion). The Company will retain its controlling interest in PanAgora, a quantitative asset manager, and certain assets, including deferred tax assets, related to Putnam Investments. The total transaction consideration and retained value is estimated to be U.S. $1.7 billion to U.S. $1.8 billion.

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 transaction is expected to close in the fourth quarter of 2023, subject to regulatory and customary closing conditions.

The net losses 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 loss from discontinued operations

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	**2023**	2022
Net investment result	**$ 13**	$ (15)	**$ 19**	$ (22)
Other income and expenses				
Fee and other income	**245**	246	**488**	508
Operating and administrative expenses	**(254)**	(235)	**(517)**	(484)
Acquisition and divestiture costs	**(92)**	—	**(92)**	—
Amortization of finite life intangible assets	**(7)**	(6)	**(13)**	(12)
Loss before income taxes	**(95)**	(10)	**(115)**	(10)
Income tax benefit	**(24)**	(3)	**(25)**	(3)
Net loss from discontinued operations	**$ (71)**	$ (7)	**$ (90)**	$ (7)

Cash flows from discontinued operations

	For the six months ended June 30	
	2023	2022
Net cash provided by (used in) operating activities	**$ 79**	$ 35
Net cash provided by (used in) financing activities	**(67)**	(64)
Effect of changes in exchange rates on cash and cash equivalents	**(5)**	4
Net increase (decrease) in cash and cash equivalents	**$ 7**	$ (25)

Assets and liabilities held for sale

		June 30 2023
Assets		
Cash	$	**258**
Stocks		**97**
Intangible assets		**1,583**
Fixed assets		**54**
Other assets		**2,441**
Total assets classified as held for sale	**$**	**4,433**
Liabilities		
Other liabilities	**$**	**2,424**
Total liabilities classified as held for sale	**$**	**2,424**

(b) Acquisition of Investment Planning Counsel

On April 3, 2023, the Company announced that Canada Life had reached an agreement to acquire Investment Planning Counsel Inc., an independent wealth management firm, from IGM Financial Inc. (IGM) for total cash consideration of $575, subject to adjustments. The acquisition extends Canada Life's wealth management reach and capabilities. IGM is an affiliated company and a member of the Power Corporation group of companies. Therefore, the transaction was reviewed and approved by the Conduct Review Committee of each of the Company and Canada Life. The transaction is expected to close in the fourth quarter of 2023, subject to regulatory and customary closing conditions.

(c) Acquisition of Value Partners

On June 13, 2023, the Company announced that Canada Life had reached an agreement to acquire Value Partners Group Inc., a Winnipeg based investment firm that serves clients with complex and sophisticated wealth needs. The acquisition extends Canada Life's wealth management reach and capabilities. The acquisition will be financed with existing resources and is not material to the Company. The transaction is expected to close in the fourth quarter of 2023, subject to regulatory and customary closing conditions (including approval from the Toronto Stock Exchange).

(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) Debentures and Other Debt Instruments

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

Great-West Lifeco U.S. LLC, a subsidiary of the Company, made payments of U.S. $150 on its non-revolving credit facility on March 31, 2023 and June 30, 2023. The remaining drawn balance was $264 (U.S. $200) as at June 30, 2023.

Subsequent Event

(f) 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 commitment to certain Sagard strategies has increased to approximately U.S. $700.

5. Portfolio Investments

(a) Carrying values and estimated fair values of portfolio investments are as follows:

	June 30, 2023		December 31, 2022 [1]	
	Carrying value	**Fair value**	Carrying value	Fair value
Bonds				
FVTPL - designated [2]	**$ 140,651**	**$ 140,651**	$ 143,142	$ 143,142
FVTPL - mandatory	**141**	**141**	248	248
FVOCI [2]	**11,533**	**11,533**	12,701	12,701
	152,325	**152,325**	156,091	156,091
Mortgage loans				
FVTPL - designated	**28,316**	**28,316**	29,013	29,013
FVTPL - mandatory	**3,625**	**3,625**	3,371	3,371
FVOCI	**571**	**571**	621	621
Amortized cost	**4,417**	**3,647**	4,192	3,577
	36,929	**36,159**	37,197	36,582
Stocks				
FVTPL - mandatory	**14,066**	**14,066**	13,663	13,663
Equity method	**727**	**711**	638	610
	14,793	**14,777**	14,301	14,273
Investment properties	**8,210**	**8,210**	8,344	8,344
Total	**$ 212,257**	**$ 211,471**	$ 215,933	$ 215,290

[1] Represents application of IFRS 9 overlay.

[2] An immaterial classification item was corrected related to certain comparative figures from those disclosed in the March 31, 2023 interim unaudited financial statements regarding the fair value classification of certain bond investments upon the adoption of IFRS 9. Bonds classified as FVTPL were overstated by $544 and bonds classified as FVOCI were understated by $544.

(b) Net investment income comprises the following:

For the three months ended June 30, 2023	**Bonds**	**Mortgage loans**	**Stocks**	**Investment properties**	**Other**	**Total**
Net investment income:						
Investment income earned	**$ 1,696**	**$ 352**	**$ 138**	**$ 131**	**$ 5**	**$ 2,322**
Net realized losses on sale of FVOCI assets	**(178)**	**—**	**—**	**—**	**—**	**(178)**
Gains from derecognized financial assets at amortized cost	**—**	**8**	**—**	**—**	**—**	**8**
Net expected credit loss recovery (charge)	**(1)**	**1**	**—**	**—**	**—**	**—**
Other income and expenses	**—**	**—**	**—**	**(53)**	**(38)**	**(91)**
	1,517	**361**	**138**	**78**	**(33)**	**2,061**
Changes in fair value on fair value through profit or loss assets:						
Fair value through profit or loss (designated)	**(2,337)**	**(392)**	**—**	**—**	**216**	**(2,513)**
Fair value through profit or loss (mandatory)	**—**	**(189)**	**106**	**—**	**—**	**(83)**
Recorded at fair value through profit or loss	**—**	**—**	**—**	**(72)**	**—**	**(72)**
	(2,337)	**(581)**	**106**	**(72)**	**216**	**(2,668)**
Total	**$ (820)**	**$ (220)**	**$ 244**	**$ 6**	**$ 183**	**$ (607)**

For the three months ended June 30, 2022 [1]	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Net investment income:						
Investment income earned	$ 1,443	$ 311	$ 103	$ 112	$ 150	$ 2,119
Net realized losses on sale of FVOCI assets	(13)	—	—	—	—	(13)
Net allowances for credit losses	—	(11)	—	—	—	(11)
Other income and expenses	—	—	—	(37)	(58)	(95)
	1,430	300	103	75	92	2,000
Changes in fair value on fair value through profit or loss assets:						
Fair value through profit or loss (designated)	(10,801)	(934)	—	—	(471)	(12,206)
Fair value through profit or loss (mandatory)	—	(304)	(1,242)	—	—	(1,546)
Recorded at fair value through profit or loss	—	—	—	92	—	92
	(10,801)	(1,238)	(1,242)	92	(471)	(13,660)
Total	$ (9,371)	$ (938)	$ (1,139)	$ 167	$ (379)	$ (11,660)

[1] Represents application of IFRS 9 overlay.

5. Portfolio Investments (cont'd)

For the six months ended June 30, 2023	**Bonds**	**Mortgage loans**	**Stocks**	**Investment properties**	**Other**	**Total**
Net investment income:						
Investment income earned	**$ 3,276**	**$ 697**	**$ 244**	**$ 251**	**$ 81**	**$ 4,549**
Net realized losses on sale of FVOCI assets	**(214)**	**—**	**—**	**—**	**—**	**(214)**
Gains from derecognized financial assets at amortized cost	**—**	**8**	**—**	**—**	**—**	**8**
Net expected credit loss recovery (charge)	**(1)**	**2**	**—**	**—**	**—**	**1**
Other income and expenses	**—**	**—**	**—**	**(99)**	**(83)**	**(182)**
	3,061	**707**	**244**	**152**	**(2)**	**4,162**
Changes in fair value on fair value through profit or loss assets:						
Fair value through profit or loss (designated)	**512**	**(33)**	**—**	**—**	**341**	**820**
Fair value through profit or loss (mandatory)	**—**	**(100)**	**396**	**—**	**—**	**296**
Recorded at fair value through profit or loss	**—**	**—**	**—**	**(212)**	**—**	**(212)**
	512	**(133)**	**396**	**(212)**	**341**	**904**
Total	**$ 3,573**	**$ 574**	**$ 640**	**$ (60)**	**$ 339**	**$ 5,066**

For the six months ended June 30, 2022 [1]	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Net investment income:						
Investment income earned	$ 2,495	$ 543	$ 190	$ 221	$ 247	$ 3,696
Net realized losses on sale of FVOCI assets	(25)	—	—	—	—	(25)
Gains on sale of amortized cost assets	—	8	—	—	—	8
Net allowances for credit losses	—	(11)	—	—	—	(11)
Other income and expenses	—	—	—	(76)	(110)	(186)
	2,470	540	190	145	137	3,482
Changes in fair value on fair value through profit or loss assets:						
Fair value through profit or loss (designated)	(20,902)	(2,048)	—	—	(1,052)	(24,002)
Fair value through profit or loss (mandatory)	—	(528)	(834)	—	—	(1,362)
Recorded at fair value through profit or loss	—	—	—	412	—	412
	(20,902)	(2,576)	(834)	412	(1,052)	(24,952)
Total	$ (18,432)	$ (2,036)	$ (644)	$ 557	$ (915)	$ (21,470)

[1] Represents application of IFRS 9 overlay.

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

(c) Net investment result

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	**2023**	2022
Investment return				
Net investment income	**$ 2,061**	$ 2,000	**$ 4,162**	$ 3,482
Changes in fair value on FVTPL assets	**(2,668)**	(13,660)	**904**	(24,952)
Total investment return	**$ (607)**	$ (11,660)	**$ 5,066**	$ (21,470)
Net finance income (expenses) from insurance contracts				
Changes in fair value of underlying items of direct participating contracts	**$ (94)**	$ 2,595	**$ (1,519)**	$ 4,183
Effects of risk mitigation option	**65**	59	**40**	184
Interest accreted	**(992)**	(711)	**(1,722)**	(1,258)
Effect of changes in discount rate and other financial assumptions	**1,644**	7,033	**247**	14,109
Effect of measuring changes in estimates at current rates and adjusting the CSM at rates on initial recognition	**8**	37	**15**	22
Total net finance income (expenses) from insurance contracts	**$ 631**	$ 9,013	**$ (2,939)**	$ 17,240
Net finance income (expense) from reinsurance contracts				
Interest accreted	**$ 78**	$ 97	**$ 83**	$ 198
Other	**(84)**	(641)	**4**	(1,195)
Net finance income (expense) from reinsurance contracts	**(6)**	(544)	**87**	(997)
Effect of change in non-performance risk of reinsurers	**—**	—	**—**	—
Total net finance income (expense) from reinsurance contracts in the Consolidated Statements of Earnings	**(6)**	(544)	**87**	(997)
Changes in investment contract liabilities	**286**	3,775	**(1,596)**	6,965
	$ 304	$ 584	**$ 618**	$ 1,738

6. Financial Instruments Risk Management

The Company has policies relating to the identification, measurement, management, monitoring and reporting of risks associated with financial instruments. The key risks related to financial instruments are credit risk, liquidity risk and market risk (currency, interest rate and equity). The Risk Committee of the Board of Directors is responsible for the oversight of the Company's key risks. The Company's approach to risk management has not substantially changed from that described in the Company's consolidated annual audited financial statements for the year ended December 31, 2022. Certain risks have been outlined below. For a discussion of the Company's risk governance structure and risk management approach, see the "Financial Instruments Risk Management" note in the Company's December 31, 2022 consolidated annual audited financial statements.

The Company has also established policies and procedures designed to identify, measure and report all material risks. Management is responsible for establishing capital management procedures for implementing and monitoring the capital plan. The Board of Directors reviews and approves all capital transactions undertaken by management.

(a) Credit Risk

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

<u>Concentration of Credit Risk</u>
Concentrations of credit risk arise from exposures to a single obligor, a group of related obligors or groups of obligors that have similar credit risk characteristics and operate in the same geographic region or in similar industries. The characteristics are similar in that changes in economic or political environments may impact their ability to meet obligations as they come due. No significant changes have occurred from the year ended December 31, 2022.

(b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet all cash outflow obligations as they come due. The following policies and procedures are in place to manage this risk:

- The Company closely manages operating liquidity through cash flow matching of assets and liabilities and forecasting earned and required yields, to ensure consistency between policyholder requirements and the yield of assets.
- Management closely monitors the solvency and capital positions of its principal subsidiaries opposite liquidity requirements at the holding company. Additional liquidity is available through established lines of credit or via capital market transactions. The Company maintains committed lines of credit with Canadian chartered banks.

(c) Market Risk

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

Caution Related to Risk Sensitivities

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

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

(i) Currency Risk

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

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

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

(ii) Interest Rate Risk

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

- Interest rate risk is managed by investing in assets that are suitable for the products sold.
- The Company utilizes a formal process for managing the matching of assets and liabilities. This involves grouping general fund assets and liabilities into segments. Assets in each segment are managed in relation to the liabilities in the segment.
- For products with fixed and highly predictable benefit payments, investments are generally made in fixed income assets or investment properties whose cash flows closely match the liability product cash flows. Where assets are not available to match certain period cash flows, such as long-tail cash flows, a portion of the assets are invested in equities and other non-fixed income assets, while the rest are duration matched.

- Hedging instruments are employed when there is a lack of suitable permanent investments or to manage the level of loss exposure to interest rate changes.
- To the extent asset and liability cash flows are matched, protection against interest rate change is achieved and any change in the fair value of the assets will be offset by a similar change in the fair value of the liabilities.
- For products with less predictable timing of benefit payments, investments are made in fixed income assets with cash flows of a shorter duration than the anticipated timing of benefit payments, or in equities and other non-fixed income assets.
- The risk associated with the mismatch in portfolio duration and cash flow, asset prepayment exposure and the pace of asset acquisition are quantified and reviewed regularly.

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

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

The impact to net earnings 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

	Net Earnings	
	Increase 50 basis points interest rates	**Decrease 50 basis points interest rates**
June 30, 2023	**$ 100**	**$ (150)**
December 31, 2022	75	(125)

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 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 June 30, 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.

(iii) Equity Risk

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

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

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

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

Change in publicly traded common stock values

	Net Earnings			
	20% increase	**10% increase**	**10% decrease**	**20% decrease**
June 30, 2023	**$ 225**	**$ 125**	**$ (125)**	**$ (250)**
December 31, 2022	200	100	(125)	(225)

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

Change in other non-fixed income asset values

	Net Earnings			
	10% increase	**5% increase**	**5% decrease**	**10% decrease**
June 30, 2023	**$ 375**	**$ 200**	**$ (200)**	**$ (400)**
December 31, 2022	400	200	(200)	(425)

7. Fair Value Measurement

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

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

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

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

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

	June 30, 2023			
Assets measured at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 7,171	$ —	$ —	$ 7,171
Financial assets at fair value through profit or loss				
Bonds	—	140,556	236	140,792
Mortgage loans	—	28,316	3,625	31,941
Stocks	10,586	183	3,297	14,066
Total financial assets at fair value through profit or loss	10,586	169,055	7,158	186,799
Financial assets at fair value through other comprehensive income				
Bonds	—	11,533	—	11,533
Mortgage loans	—	571	—	571
Total financial assets at fair value through other comprehensive income	—	12,104	—	12,104
Investment properties	—	—	8,210	8,210
Derivatives [1]	—	2,361	—	2,361
Assets held for sale [2]	491	1,074	880	2,445
Other assets:				
Trading account assets	251	1,667	—	1,918
Other [3]	—	336	—	336
Total assets measured at fair value	$ 18,499	$ 186,597	$ 16,248	$ 221,344
Liabilities measured at fair value				
Derivatives [4]	$ 11	$ 1,336	$ —	$ 1,347
Investment contract liabilities	—	89,777	—	89,777
Other liabilities	—	336	—	336
Total liabilities measured at fair value	$ 11	$ 91,449	$ —	$ 91,460

1 Excludes collateral received from counterparties of $1,328.
2 Assets held for sale measured at fair value includes cash of $258, stocks of $97 and trading account assets of $2,090.
3 Includes collateral received under securities lending arrangements.
4 Excludes collateral pledged to counterparties of $257.

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

Assets measured at fair value	December 31, 2022 [1] Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 7,290	$ —	$ —	$ 7,290
Financial assets at fair value through profit or loss				
Bonds [2]	—	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 fair value through profit or loss	10,548	172,294	6,595	189,437
Financial assets at fair value through other comprehensive income				
Bonds [2]	—	12,701	—	12,701
Mortgage loans	—	621	—	621
Total financial assets at fair value through other comprehensive income	—	13,322	—	13,322
Investment properties	—	—	8,344	8,344
Derivatives [3]	13	2,301	—	2,314
Other assets:				
Trading account assets	309	1,723	940	2,972
Other [4]	11	180	—	191
Total assets measured at fair value	$ 18,171	$ 189,820	$ 15,879	$ 223,870
Liabilities measured at fair value				
Derivatives [5]	$ —	$ 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 An immaterial classification item was corrected related to certain comparative figures from those disclosed in the March 31, 2023 interim unaudited financial statements regarding the fair value classification of certain bond investments upon the adoption of IFRS 9. Bonds classified as FVTPL were overstated by $544 and bonds classified as FVOCI were understated by $544.
3 Excludes collateral received from counterparties of $1,348.
4 Includes collateral received under securities lending arrangements.
5 Excludes collateral pledged to counterparties of $532.

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

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

	June 30, 2023						
	Fair value through profit or loss bonds	Fair value through profit or loss mortgage loans	Fair value through profit or loss stocks [4]	Investment properties	Trading account assets	Assets held for sale	Total Level 3 assets
Balance, beginning of year	$ 195	$ 3,371	$ 3,029	$ 8,344	$ 940	$ —	$ 15,879
Total gains (losses)							
Included in net earnings	3	(62)	35	(212)	(12)	1	(247)
Included in other comprehensive income [1]	—	45	(21)	24	—	(21)	27
Purchases	44	—	314	146	23	—	527
Issues	—	336	—	—	—	—	336
Sales	(6)	—	(60)	(92)	—	(51)	(209)
Settlements	—	(65)	—	—	—	—	(65)
Other [2]	—	—	—	—	(951)	951	—
Transfers into Level 3 [3]	—	—	—	—	—	—	—
Transfers out of Level 3 [3]	—	—	—	—	—	—	—
Balance, end of period	$ 236	$ 3,625	$ 3,297	$ 8,210	$ —	$ 880	$ 16,248
Total gains (losses) for the period included in net investment income	$ 3	$ (62)	$ 35	$ (212)	$ (12)	$ 1	$ (247)
Change in unrealized gains (losses) for the period included in earnings for assets held at June 30, 2023	$ 3	$ (62)	$ 35	$ (210)	$ —	$ 1	$ (233)

[1] Amount of other comprehensive income for fair value through profit or loss bonds, mortgage loans and investment properties represents the unrealized gains (losses) on foreign exchange.

[2] 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.

7. Fair Value Measurement (cont'd)

	December 31, 2022						
	Fair value through profit or loss bonds	Fair value through profit or loss mortgage loans	Fair value through profit or loss stocks [3]	Available for-sale stocks	Investment properties	Trading account assets	Total Level 3 assets
Balance, beginning of year	$ 100	$ 2,609	$ 1,680	$ 204	$ 7,763	$ 531	$ 12,887
Impact of application of IFRS 9 overlay	45	6	349	(204)	—	—	196
Revised balance, beginning of year	145	2,615	2,029	—	7,763	531	13,083
Total gains (losses)							
Included in net earnings	(12)	(644)	225	—	(41)	(125)	(597)
Included in other comprehensive income [1]	—	(70)	(7)	—	(42)	30	(89)
Purchases	82	—	924	—	710	710	2,426
Issues	—	1,631	—	—	—	—	1,631
Sales	(20)	—	(142)	—	(55)	(168)	(385)
Settlements	—	(161)	—	—	—	—	(161)
Other	—	—	—	—	9	—	9
Transfers into Level 3 [2]	—	—	—	—	—	12	12
Transfers out of Level 3 [2]	—	—	—	—	—	(50)	(50)
Balance, end of year	$ 195	$ 3,371	$ 3,029	$ —	$ 8,344	$ 940	$ 15,879
Total gains (losses) for the year included in net investment income	$ (12)	$ (644)	$ 225	$ —	$ (41)	$ (125)	$ (597)
Change in unrealized gains (losses) for the year included in earnings for assets held at December 31, 2022	$ (12)	$ (642)	$ 199	$ —	$ (34)	$ (126)	$ (615)

[1] Amount of other comprehensive income for fair value through profit or loss bonds, mortgage loans and investment properties represents the unrealized gains (losses) on foreign exchange.

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

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

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

Type of asset	Valuation approach	Significant unobservable input	Input value	Inter-relationship between key unobservable inputs and fair value measurement
Investment properties	Investment property valuations are generally determined using property valuation models based on expected capitalization rates and models that discount expected future net cash flows. The determination of the fair value of investment property requires the use of estimates such as future cash flows (such as future leasing assumptions, rental rates, capital and operating expenditures) and discount, reversionary and overall capitalization rates applicable to the asset based on current market rates.	Discount rate	Range of 4.0% - 15.9%	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value.
		Reversionary rate	Range of 4.0% - 7.8%	A decrease in the reversionary rate would result in an increase in fair value. An increase in the reversionary rate would result in a decrease in fair value.
		Vacancy rate	Weighted average of 4.2%	A decrease in the expected vacancy rate would generally result in an increase in fair value. An increase in the expected vacancy rate would generally result in a decrease in fair value.
Mortgage loans - equity release mortgages (fair value through profit or loss)	The valuation approach for equity release mortgages is to use an internal valuation model to determine the projected asset cash flows, including the stochastically calculated cost of the no negative equity guarantee for each individual loan, to aggregate these across all loans and to discount those cash flows back to the valuation date. The projection is done monthly until expected redemption of the loan either voluntarily or on the death/ entering into long term care of the loanholders.	Discount rate	Range of 5.1% - 7.6%	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value.
Stocks	The determination of the fair value of stocks requires the use of estimates such as future cash flows, discount rates, projected earnings multiples, or recent transactions.	Discount rate	Various	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value.

8. Insurance Revenue

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	**2023**	2022
Contracts not measured under the PAA				
Amounts relating to changes in liabilities for remaining coverage				
Experience adjustments	**$ (47)**	$ (40)	**$ (61)**	$ (93)
CSM recognized for services provided	**316**	301	**623**	583
Change in risk adjustment for non-financial risk for risk expired	**152**	159	**301**	324
Expected incurred claims and other insurance service expenses	**2,293**	2,204	**4,536**	4,488
Recovery of insurance acquisition cash flows	**138**	107	**276**	211
	$ 2,852	$ 2,731	**$ 5,675**	$ 5,513
Contracts measured under the PAA	**2,229**	2,031	**4,443**	4,029
Total insurance revenue	**$ 5,081**	$ 4,762	**$ 10,118**	$ 9,542

9. Insurance Service and Other Operating and Administrative Expenses

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	**2023**	2022
Claims and benefits incurred	**$ 3,477**	$ 3,024	**$ 6,923**	$ 6,284
Allocation of premium directly to recovery of insurance acquisition cash flows	**175**	166	**348**	329
Adjustments to the liability for incurred claims	**(104)**	(106)	**(190)**	(236)
Losses and reversal of losses on onerous insurance contracts	**10**	17	**24**	22
Salaries and other employee benefits	**1,074**	1,027	**2,204**	1,987
General and administrative	**486**	454	**878**	725
Interest expense on leases	**2**	3	**5**	6
Depreciation of fixed assets	**20**	26	**42**	50
Depreciation of right-of-use assets	**12**	15	**27**	28
Commissions	**382**	387	**797**	794
Total expenses	**5,534**	5,013	**11,058**	9,989
Represented by:				
Insurance service expenses	**$ 3,963**	$ 3,545	**$ 7,958**	$ 7,282
Other operating and administrative expenses	**1,571**	1,468	**3,100**	2,707
Total expenses	**$ 5,534**	$ 5,013	**$ 11,058**	$ 9,989

10. Insurance Contracts

(a) Analysis by remaining coverage and incurred claims

Insurance Contracts	June 30, 2023						
	Liability for remaining coverage		Liability for incurred claims				
				Contracts under PAA			
	Excluding loss component	Loss component	Contracts not under PAA	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Asset for acquisition cash flows [3]	Total
Opening assets	$ (1,275)	$ 2	$ 197	$ (64)	$ —	$ —	$ (1,140)
Opening liabilities	118,505	199	3,366	12,994	545	(171)	135,438
Opening liabilities on account of segregated fund policyholders [3]	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	$ (10,118)	$ —	$ —	$ —	$ —	$ —	$ (10,118)
Insurance service expenses							
Incurred claims and other insurance service expenses	—	(10)	4,624	3,093	69	—	7,776
Amortization of insurance acquisition cash flows	348	—	—	—	—	—	348
Losses and reversal of losses on onerous contracts	—	24	—	—	—	—	24
Adjustments to liabilities for incurred claims	—	—	(3)	(104)	(83)	—	(190)
	348	14	4,621	2,989	(14)	—	7,958
Investment components	(5,024)	—	3,613	1,411	—	—	—
Total changes in insurance service result	(14,794)	14	8,234	4,400	(14)	—	(2,160)
Net finance expenses from insurance contracts	3,819	4	2,416	191	9	—	6,439
Effect of movement in exchanges rates [3]	(455)	—	(7)	49	2	—	(411)
Total changes in the Consolidated Statements of Earnings and Comprehensive Income	$ (11,430)	$ 18	$ 10,643	$ 4,640	$ (3)	$ —	$ 3,868
Cash flows							
Premiums received	$ 14,723	$ —	$ —	$ —	$ —	$ —	$ 14,723
Incurred claims paid and other insurance service expenses paid	(29)	—	(10,597)	(4,427)	—	—	(15,053)
Insurance acquisition cash flows	(442)	—	—	—	—	—	(442)
Insurance acquisition cash flows transferred from the asset for insurance acquisition cash flows at initial recognition	(16)	—	—	—	—	—	(16)
Other cash flows [1]	211	—	—	—	—	—	211
Total cash flows	$ 14,447	$ —	$ (10,597)	$ (4,427)	$ —	$ —	$ (577)
Asset for acquisition cash flows [3]							
Insurance acquisition cash flows paid in the period	$ —	$ —	$ —	$ —	$ —	$ (19)	$ (19)
Insurance acquisition cash flows allocated to groups of insurance contracts recognized in the period	—	—	—	—	—	16	16
Total changes in asset for acquisition cash flows	$ —	$ —	$ —	$ —	$ —	$ (3)	$ (3)
Other movements [2]	(523)	—	—	—	—	—	(523)
Net closing balance	$ 177,565	$ 219	$ 3,609	$ 13,143	$ 542	$ (174)	$ 194,904
Recorded in:							
Closing assets	$ (1,873)	$ 2	$ 785	$ (4)	$ —	$ —	$ (1,090)
Closing liabilities	120,218	217	2,824	13,147	542	(174)	136,774
Closing liabilities on account of segregated fund policyholders [3]	59,220	—	—	—	—	—	59,220
Net closing balance	$ 177,565	$ 219	$ 3,609	$ 13,143	$ 542	$ (174)	$ 194,904

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

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

3 The analysis by remaining coverage and incurred claims table has been revised for the June 30, 2023 interim financial statements to include the asset for acquisition cash flows, to present opening and closing liabilities on account of segregated fund policyholders separately from opening and closing liabilities, and to present the effect of movement in exchange rates separately from net finance expenses from insurance contracts.

10. Insurance Contracts (cont'd)

Insurance Contracts	December 31, 2022						
	Liability for remaining coverage		Liability for incurred claims				
				Contracts under PAA			
	Excluding loss component	Loss component	Contracts not under PAA	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Asset for acquisition cash flows [4]	Total
Opening assets	$ (2,125)	$ —	$ 730	$ (138)	$ —	$ —	$ (1,533)
Opening liabilities	140,178	181	2,963	14,155	595	(162)	157,910
Opening liabilities on account of segregated fund policyholders [4]	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	$ (19,638)	$ —	$ —	$ —	$ —	$ —	$ (19,638)
Insurance service expenses							
Incurred claims and other insurance service expenses	—	(26)	8,848	5,668	344	—	14,834
Amortization of insurance acquisition cash flows	635	—	—	—	—	—	635
Losses and reversal of losses on onerous contracts	—	61	—	—	—	—	61
Adjustments to liabilities for incurred claims	—	—	(66)	105	(299)	—	(260)
	635	35	8,782	5,773	45	—	15,270
Investment components	(9,018)	—	6,072	2,946	—	—	—
Total changes in insurance service result	(28,021)	35	14,854	8,719	45	—	(4,368)
Net finance expenses from insurance contracts	(27,956)	(16)	4,370	(1,359)	(88)	—	(25,049)
Effect of movement in exchanges rates [4]	127	1	27	(139)	(7)	—	9
Total changes in the Consolidated Statements of Earnings and Comprehensive Income	$ (55,850)	$ 20	$ 19,251	$ 7,221	$ (50)	$ —	$ (29,408)
Cash flows							
Premiums received	$ 30,510	$ —	$ —	$ —	$ —	$ —	$ 30,510
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	$ 30,423	$ —	$ (19,362)	$ (8,280)	$ —	$ —	$ 2,781
Asset for acquisition cash flows [4]							
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	$ 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 [4]	57,841	—	—	—	—	—	57,841
Net closing balance	$ 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 settlement, and other cash flows from policy loans.

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

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

[4] The analysis by remaining coverage and incurred claims table has been revised for the June 30, 2023 interim financial statements to include the asset for acquisition cash flows, to present opening and closing liabilities on account of segregated fund policyholders separately from opening and closing liabilities, and to present the effect of movement in exchange rates separately from net finance expenses from insurance contracts.

(b) Analysis by measurement component for insurance contracts not measured under PAA

Insurance Contracts	**June 30, 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 [3]	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	$ —	$ —	$ (623)	$ (623)
Change in risk adjustment for non-financial risk for risk expired	—	(301)	—	(301)
Experience adjustments	138	—	—	138
Changes that relate to future service				
Contracts initially recognized in the period	(433)	145	292	4
Changes in estimates that adjust the CSM	(109)	18	92	1
Changes in estimates that result in losses and reversal of losses on onerous contacts	15	7	—	22
Changes that relate to past service				
Adjustment to liabilities for incurred claims	(3)	—	—	(3)
Total changes in insurance service result	(392)	(131)	(239)	(762)
Net finance expenses from insurance contracts [3]	5,955	209	75	6,239
Effect of movement in exchanges rates	(507)	7	33	(467)
Total changes in the Consolidated Statements of Earnings and Comprehensive Income	$ 5,056	$ 85	$ (131)	$ 5,010
Cash flows				
Premiums received	$ 8,778	$ —	$ —	$ 8,778
Incurred claims paid and other insurance service expenses paid	(10,624)	—	—	(10,624)
Insurance acquisition cash flows	(385)	—	—	(385)
Insurance acquisition cash flows transferred from the asset for insurance acquisition cash flows at initial recognition	—	—	—	—
Other cash flows [1]	365	—	—	365
Total cash flows	$ (1,866)	$ —	$ —	$ (1,866)
Other movements [2]	(523)	—	—	(523)
Net closing balance	$ 161,515	$ 6,636	$ 14,003	$ 182,154
Recorded in:				
Closing assets	$ (6,339)	$ 1,454	$ 3,883	$ (1,002)
Closing liabilities	108,634	5,182	10,120	123,936
Closing liabilities on account of segregated fund policyholders [3]	59,220	—	—	59,220
Net closing balance	$ 161,515	$ 6,636	$ 14,003	$ 182,154

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

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

[3] The analysis by measurement component for insurance contracts not measured under PAA table has been revised for the June 30, 2023 interim financial statements to present opening and closing liabilities on account of segregated fund policyholders separately from opening and closing liabilities, and to present the change in fair value of underlying items within net finance expenses from insurance contracts.

10. Insurance Contracts (cont'd)

Insurance Contracts	December 31, 2022			
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
Opening assets	$ (7,289)	$ 2,376	$ 3,609	$ (1,304)
Opening liabilities	127,643	7,067	9,447	144,157
Opening liabilities on account of segregated fund policyholders [4]	65,253	—	—	65,253
Net opening balance	$ 185,607	$ 9,443	$ 13,056	$ 208,106
Changes in the Consolidated Statements of Earnings and Comprehensive Income				
Changes that relate to current service				
CSM recognized for services provided	$ —	$ —	$ (1,169)	$ (1,169)
Change in risk adjustment for non-financial risk for risk expired	—	(638)	—	(638)
Experience adjustments	140	1	—	141
Changes that relate to future service				
Contracts initially recognized in the year	(1,138)	385	766	13
Changes in estimates that adjust the CSM	(958)	(112)	1,069	(1)
Changes in estimates that result in losses and reversal of losses on onerous contacts	21	21	—	42
Changes that relate to past service				
Adjustment to liabilities for incurred claims	(68)	1	—	(67)
Total changes in insurance service result	(2,003)	(342)	666	(1,679)
Net finance expenses from insurance contracts [4]	(21,211)	(2,497)	116	(23,592)
Effect of movement in exchanges 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)
Insurance acquisition cash flows transferred from the asset for insurance acquisition cash flows at initial recognition	—	—	—	—
Fee transfers from the segregated fund	(52)	—	—	(52)
Other cash flows [1]	936	—	—	936
Total cash flows	$ (607)	$ —	$ —	$ (607)
Other movements [2]	(3,042)	—	—	(3,042)
Impact of acquisitions/dispositions [3]	(150)	30	294	174
Net closing balance	$ 158,848	$ 6,551	$ 14,134	$ 179,533
Recorded in:				
Closing assets	$ (4,271)	$ 515	$ 2,773	$ (983)
Closing liabilities	105,278	6,036	11,361	122,675
Closing liabilities on account of segregated fund policyholders [4]	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, 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] The analysis by measurement component for insurance contracts not measured under PAA table has been revised for the June 30, 2023 interim financial statements to present opening and closing liabilities on account of segregated fund policyholders separately from opening and closing liabilities, and to present the change in fair value of underlying items within net finance expenses from insurance contracts.

(c) Effect on measurement components of contracts initially recognized in the period

Insurance Contracts	**June 30, 2023**		
	Profitable contracts issued	**Onerous contracts issued**	**Total**
Insurance acquisition cash flows	**$ 180**	**$ 25**	**$ 205**
Claims and other insurance service expenses payable	**4,504**	**48**	**4,552**
Estimates of present value of cash outflows	**4,684**	**73**	**4,757**
Estimates of present value of cash inflows	**(5,114)**	**(76)**	**(5,190)**
Risk adjustment for non-financial risk	**134**	**11**	**145**
CSM	**294**	**(2)**	**292**
Total losses (gains) recognized on initial recognition	**$ (2)**	**$ 6**	**$ 4**

Insurance Contracts	December 31, 2022		
	Profitable contracts issued	Onerous contracts issued	Total
Insurance acquisition cash flows	$ 343	$ 64	$ 407
Claims and other insurance service expenses payable	10,753	526	11,279
Estimates of present value of cash outflows	11,096	590	11,686
Estimates of present value of cash inflows	(12,155)	(669)	(12,824)
Risk adjustment for non-financial risk	296	89	385
CSM	755	11	766
Total losses (gains) recognized on initial recognition	$ (8)	$ 21	$ 13

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

(d) Expected remaining CSM recognition

	Insurance Contracts							
	1 year or less	**1-2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**5-10 years**	**More than 10 years**	**Total**
June 30, 2023	**$ 1,137**	**$ 1,052**	**$ 974**	**$ 901**	**$ 833**	**$ 3,309**	**$ 5,797**	**$ 14,003**
December 31, 2022 [1]	1,139	1,060	972	899	832	3,336	5,896	14,134

[1] The Company has reclassified certain comparative figures to conform to the current period's presentation.

(e) Expected derecognition of the asset for insurance acquisition cash flows

	1 year or less	**1-2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**5-10 years**	**More than 10 years**	**Total**
June 30, 2023	**$ 30**	**$ 28**	**$ 26**	**$ 23**	**$ 20**	**$ 47**	**$ —**	**$ 174**
December 31, 2022	29	27	25	23	21	46	—	171

(f) Insurance risk

The earnings and CSM sensitivities illustrated in the table below represent impacts as at December 31, 2022 under the Company's current accounting policies as at June 30, 2023, including accounting for insurance contracts under IFRS 17. The Company's insurance risk sensitivities at June 30, 2023 have not changed significantly from the amounts disclosed in the table below.

	Net earnings	CSM
2% Life mortality increase	**$ 25**	**$ (325)**
2% Annuity mortality decrease	**200**	**(650)**
5% Morbidity adverse change	**(100)**	**(125)**
5% Expense increase	**—**	**(175)**
10% Adverse change in policy termination and renewal	**150**	**(1,100)**

These sensitivities reflect the impact on earnings and CSM of an immediate change in assumptions on the value of insurance contract liabilities. The impact on shareholders' equity equals the net earnings impact.

Most assumption changes directly impact CSM under IFRS 17, rather than earnings. For products measured under the GMM, there is a second-order impact, which captures the difference between the assumption change impact measured at prevailing discount rates and the impact under locked-in discount rates. Most locked-in rates for the calculation of CSM impacts were struck at January 1, 2022 for the in-force portfolio. Given the significant rise in interest rates in 2022, the prevailing discount rates now differ significantly from the lock-in discount rates. Therefore under current market conditions, an assumption change which strengthens liabilities will be measured at lower interest rates in the CSM than prevailing rates, leading to a liability strengthening offset by CSM reduction and an increase to earnings due to the interest rate effects.

The CSM outlined above is presented net of reinsurance held.

(g) Policyholder loans and funds withheld

Included in the insurance contract balances are policyholder loans of $8,947 and funds withheld on reinsurance contracts issued by the Company of $4,056 ($8,999 and $4,105 respectively as at December 31, 2022).

11. Reinsurance Contracts Held

(a) Analysis by remaining coverage and incurred claims

Reinsurance Contracts Held	June 30, 2023					
	Asset for remaining coverage		Asset for incurred claims			
	Excluding loss recovery component	Loss recovery component	Contracts not under the PAA	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Total
Opening assets	$ 16,212	$ 76	$ 952	$ 320	$ 11	$ 17,571
Opening liabilities	(760)	—	223	—	—	(537)
Net opening balance	**$ 15,452**	**$ 76**	**$ 1,175**	**$ 320**	**$ 11**	**$ 17,034**
Changes in the Consolidated Statements of Earnings and Comprehensive Income						
Net expenses from reinsurance contracts	$ (1,820)	$ 8	$ 665	$ 389	$ 1	$ (757)
Investment components	(55)	—	55	—	—	—
Net finance income from reinsurance contracts, excluding the effect of changes in non-performance risk of reinsurers [3]	73	1	14	(1)	—	87
Effect of movement in exchanges rates [3]	(280)	—	5	2	—	(273)
Effect of changes in non-performance risk of reinsurers	—	—	—	—	—	—
Total changes in the Consolidated Statements of Earnings and Comprehensive Income	**$ (2,082)**	**$ 9**	**$ 739**	**$ 390**	**$ 1**	**$ (943)**
Cash flows						
Premiums paid	$ 1,573	$ —	$ —	$ —	$ —	$ 1,573
Incurred claims received and other insurance service amounts received	—	—	(544)	(469)	—	(1,013)
Other cash flows [1]	25	—	—	—	—	25
Total cash flows	**$ 1,598**	**$ —**	**$ (544)**	**$ (469)**	**$ —**	**$ 585**
Other movements [2]	(523)	—	—	—	—	(523)
Net closing balance [4]	**$ 14,445**	**$ 85**	**$ 1,370**	**$ 241**	**$ 12**	**$ 16,153**
Recorded in:						
Closing assets	$ 15,354	$ 82	$ 1,089	$ 241	$ 12	$ 16,778
Closing liabilities	(909)	3	281	—	—	(625)
Net closing balance [4]	**$ 14,445**	**$ 85**	**$ 1,370**	**$ 241**	**$ 12**	**$ 16,153**

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

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

[3] The analysis by remaining coverage and incurred claims table has been revised for the June 30, 2023 interim financial statements to present the effect of movement in exchange rates separately from net finance income from reinsurance contracts, excluding the effect of changes in non-performance risk of reinsurers.

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

11. Reinsurance Contracts Held (cont'd)

Reinsurance Contracts Held	December 31, 2022					
	Asset for remaining coverage		Asset for incurred claims			
	Excluding loss recovery component	Loss recovery component	Contracts not under the PAA	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Total
Opening assets	$ 20,425	$ 65	$ 1,003	$ 342	$ 8	$ 21,843
Opening liabilities	(1,314)	—	24	—	—	(1,290)
Net opening balance	$ 19,111	$ 65	$ 1,027	$ 342	$ 8	$ 20,553
Changes in the Consolidated Statements of Earnings and Comprehensive Income						
Net expenses from reinsurance contracts	$ (3,536)	$ 17	$ 1,196	$ 788	$ 6	$ (1,529)
Investment components	(63)	—	63	—	—	—
Net finance income from reinsurance contracts, excluding the effect of changes in non-performance risk of reinsurers [3]	(1,169)	(6)	(50)	(12)	(3)	(1,240)
Effect of movement in exchanges rates [3]	737	—	5	(3)	—	739
Effect of changes in non-performance risk of reinsurers	—	—	—	—	—	—
Total changes in the Consolidated Statements of Earnings and Comprehensive Income	$ (4,031)	$ 11	$ 1,214	$ 773	$ 3	$ (2,030)
Cash flows						
Premiums paid	$ 3,295	$ —	$ —	$ —	$ —	$ 3,295
Incurred claims received and other insurance service amounts received	—	—	(1,034)	(794)	—	(1,828)
Other cash flows [1]	29	—	—	—	—	29
Total cash flows	$ 3,324	$ —	$ (1,034)	$ (794)	$ —	$ 1,496
Other movements [2]	(2,952)	—	(32)	(1)	—	(2,985)
Net closing balance [4]	$ 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 [4]	$ 15,452	$ 76	$ 1,175	$ 320	$ 11	$ 17,034

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

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

[3] The analysis by remaining coverage and incurred claims table has been revised for the June 30, 2023 interim financial statements to present the effect of movement in exchange rates separately from net finance income from reinsurance contracts, excluding the effect of changes in non-performance risk of reinsurers.

[4] 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	**June 30, 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	$ —	$ —	$ (48)	$ (48)
Change in risk adjustment for non-financial risk for risk expired	—	(72)	—	(72)
Experience adjustments	21	—	—	21
Changes that relate to future service				
Contracts initially recognized in the period	(40)	39	4	3
Changes in estimates that adjust the CSM	34	3	(37)	—
Changes in estimates that result in losses and reversal of losses on onerous contacts	4	5	—	9
Changes that relate to past service				
Changes to incurred claims component	—	—	—	—
Changes in amounts recoverable arising from changes in liability for incurred claims	5	—	—	5
Experience adjustments relating to past service	—	—	—	—
Net expenses from reinsurance contracts	24	(25)	(81)	(82)
Net finance income from reinsurance contracts, excluding the effect of changes in non-performance risk of reinsurers [3]	(4)	79	16	91
Effect of movement in exchanges rates [3]	(279)	2	(1)	(278)
Effect of changes in non-performance risk of reinsurers	—	—	—	—
Total changes in the Consolidated Statements of Earnings and Comprehensive Income	$ (259)	$ 56	$ (66)	$ (269)
Cash flows				
Premiums paid	$ 563	$ —	$ —	$ 563
Incurred claims received and other insurance service amounts received	(544)	—	—	(544)
Other cash flows [1]	25	—	—	25
Total cash flows	$ 44	$ —	$ —	$ 44
Other movements [2]	(523)	—	—	(523)
Net closing balance	$ 13,595	$ 1,547	$ 945	$ 16,087
Recorded in:				
Closing assets	$ 14,996	$ 1,167	$ 496	$ 16,659
Closing liabilities	(1,401)	380	449	(572)
Net closing balance	$ 13,595	$ 1,547	$ 945	$ 16,087

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

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

[3] The analysis by measurement component for insurance contracts held not measured under PAA table has been revised for the June 30, 2023 interim financial statements to present the effect of movement in exchange rates separately from net finance income from reinsurance contracts, excluding the effect of changes in non-performance risk of reinsurers.

11. Reinsurance Contracts Held (cont'd)

Reinsurance Contracts Held	December 31, 2022			
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
Opening assets	$ 19,427	$ 1,496	$ 705	$ 21,628
Opening liabilities	(2,123)	472	371	(1,280)
Net opening balance	$ 17,304	$ 1,968	$ 1,076	$ 20,348
Changes in the Consolidated Statements of Earnings and Comprehensive Income				
Changes that relate to current service				
CSM recognized for services received	$ —	$ —	$ (95)	$ (95)
Change in risk adjustment for non-financial risk for risk expired	—	(153)	—	(153)
Experience adjustments	(54)	—	—	(54)
Changes that relate to future service				
Contracts initially recognized in the year	(113)	74	53	14
Changes in estimates that adjust the CSM	(39)	72	(44)	(11)
Changes in estimates that result in losses and reversal of losses on onerous contacts	5	11	—	16
Changes that relate to past service				
Changes to incurred claims component	—	—	—	—
Changes in amounts recoverable arising from changes in liability for incurred claims	18	1	—	19
Experience adjustments relating to past service	—	—	—	—
Net expenses from reinsurance contracts	(183)	5	(86)	(264)
Net finance income from reinsurance contracts, excluding the effect of changes in non-performance risk of reinsurers [3]	(787)	(472)	27	(1,232)
Effect of movement in exchanges rates [3]	759	(10)	(6)	743
Effect of changes in non-performance risk of reinsurers	—	—	—	—
Total changes in the Consolidated Statements of Earnings and Comprehensive Income	$ (211)	$ (477)	$ (65)	$ (753)
Cash flows				
Premiums paid	$ 1,231	$ —	$ —	$ 1,231
Incurred claims received and other insurance service amounts received	(1,035)	—	—	(1,035)
Other cash flows [1]	29	—	—	29
Total cash flows	$ 225	$ —	$ —	$ 225
Other movements [2]	(2,985)	—	—	(2,985)
Net closing balance	$ 14,333	$ 1,491	$ 1,011	$ 16,835
Recorded in:				
Closing assets	$ 15,791	$ 1,062	$ 514	$ 17,367
Closing liabilities	(1,458)	429	497	(532)
Net closing balance	$ 14,333	$ 1,491	$ 1,011	$ 16,835

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

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

[3] The analysis by measurement component for insurance contracts held not measured under PAA table has been revised for the June 30, 2023 interim financial statements to present the effect of movement in exchange rates separately from net finance income from reinsurance contracts, excluding the effect of changes in non-performance risk of reinsurers.

(c) Effect on measurement components of contracts initially recognized in the period

Reinsurance Contracts Held	June 30, 2023	December 31, 2022
Estimates of present value of cash outflows	$ **535**	$ 1,199
Estimates of present value of cash inflows	**(495)**	(1,086)
Risk adjustment for non-financial risk	**(39)**	(74)
Income recognized on initial recognition	**3**	14
CSM	$ **(4)**	$ (53)

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

(d) Expected remaining CSM recognition

	Reinsurance Contracts Held							
	1 year or less	1-2 years	2-3 years	3-4 years	4-5 years	5-10 years	More than 10 years	Total
June 30, 2023	$ **(91)**	$ **(82)**	$ **(75)**	$ **(68)**	$ **(61)**	$ **(223)**	$ **(345)**	$ **(945)**
December 31, 2022 [1]	(91)	(82)	(75)	(68)	(61)	(253)	(381)	(1,011)

[1] The Company has reclassified certain comparative figures to conform to the current period's presentation.

12. Segregated Funds and Other Structured Entities

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

(a) Investments on account of segregated fund policyholders

	June 30 2023	December 31 2022 [1]
Cash and cash equivalents	$ **14,764**	$ 14,562
Bonds	**71,764**	69,371
Mortgage loans	**2,012**	2,159
Stocks and units in unit trusts	**125,599**	117,863
Mutual funds	**182,364**	168,459
Investment properties	**12,693**	13,035
	409,196	385,449
Accrued income	**798**	692
Other liabilities	**(4,578)**	(4,647)
Non-controlling mutual funds interest	**5,200**	6,388
Total [2]	$ **410,616**	$ 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 June 30, 2023, $66,402 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 $118 of cash and cash equivalents, $11,607 of bonds, $16 of stocks and units in unit trusts, $54,579 of mutual funds, $93 of accrued income and ($11) of other liabilities.

(b) Insurance and investment contracts on account of segregated fund policyholders

	June 30 2023	December 31 2022
Insurance contracts on account of segregated fund policyholder	**$ 59,220**	$ 57,841
Investment contracts on account of segregated fund policyholder	**351,396**	330,041
	$ 410,616	$ 387,882

(c) Contracts on account of segregated fund policyholders

	For the six months ended June 30	
	2023	2022 [1]
Balance, beginning of year	**$ 387,882**	$ 357,419
Additions (deductions):		
Policyholder deposits	**27,585**	15,120
Net investment income	**1,982**	1,258
Net realized capital gains on investments	**696**	2,826
Net unrealized capital gains (losses) on investments	**24,243**	(61,881)
Unrealized losses due to changes in foreign exchange rates	**(3,063)**	(5,109)
Policyholder withdrawals	**(27,602)**	(18,169)
Business acquisition	**—**	79,455
Change in Segregated Fund investment in General Fund	**39**	63
Change in General Fund investment in Segregated Fund	**2**	(14)
Net transfer from (to) General Fund	**40**	(6)
Non-controlling mutual funds interest	**(1,188)**	527
Total	**22,734**	14,070
Balance, end of period	**$ 410,616**	$ 371,489

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

(d) Contracts on account of segregated fund policyholders by fair value hierarchy level

	June 30, 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Investment contracts on account of segregated fund policyholders [1]	**$ 285,016**	**$ 115,082**	**$ 14,385**	**$ 414,483**

[1] Excludes other liabilities, net of other assets, of $3,867.

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Investment contracts on account of segregated fund policyholders [1, 2]	$ 270,892	$ 106,720	$ 14,455	$ 392,067

1 Excludes other liabilities, net of other assets, of $4,185.
2 The Company has adjusted certain comparative figures to conform to the current year's presentation. These adjustments had no impact on the equity or net earnings of the Company.

During the first six months of 2023, certain foreign stock holdings valued at $131 have been transferred from Level 2 to Level 1 ($2,301 were transferred from Level 2 to Level 1 at December 31, 2022) primarily based on the Company's change in use of inputs in addition to quoted prices in active markets for certain foreign stock holdings. Level 2 assets include those assets where fair value is not available from normal market pricing sources, where inputs are utilized in addition to quoted prices in active markets and where the Company does not have access to the underlying asset details within an investment fund.

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

	June 30 2023	December 31 2022
Balance, beginning of year	**$ 14,455**	$ 13,822
Total losses included in segregated fund investment income	**(406)**	(310)
Purchases	**341**	1,011
Sales	**(70)**	(366)
Transfers into Level 3	**349**	343
Transfers out of Level 3	**(284)**	(45)
Balance, end of period	**$ 14,385**	$ 14,455

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

13. Share Capital

Common Shares

	For the six months ended June 30			
	2023		2022	
	Number	**Carrying value**	Number	Carrying value
Common shares				
Balance, beginning of year	**931,853,110**	**$ 5,791**	930,620,338	$ 5,748
Exercised and issued under stock option plan	**1,953,151**	**71**	1,156,072	40
Purchased and cancelled under normal course issuer bid	**(2,519,200)**	**(94)**	—	—
Excess of redemption proceeds over stated capital per normal course issuer bid	**—**	**78**	—	—
Balance, end of period	**931,287,061**	**$ 5,846**	931,776,410	$ 5,788

During the six months ended June 30, 2023, 1,953,151 common shares were exercised under the Company's stock plan with a carrying value of $71, including $8 from contributed surplus transferred upon exercise (1,156,072 with a carrying value of $40, including $4 from contributed surplus transferred upon exercise during the six months ended June 30, 2022).

On January 25, 2023, the Company announced the renewal of its normal course issuer bid (NCIB) commencing January 27, 2023 and terminating January 26, 2024 to purchase for cancellation up to but not more than 20,000,000 of its common shares at market prices.

During the six months ended June 30, 2023, the Company repurchased and subsequently cancelled 2,519,200 common shares under the current NCIB at a cost of $94 (nil during the six months ended June 30, 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 $78 and was recognized as a reduction to accumulated surplus during the six months ended June 30, 2023 (nil during the six months ended June 30, 2022 under the previous NCIB).

14. Earnings Per Common Share

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

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	**2023**	2022
		(Restated)		(Restated)
Earnings				
Net earnings	**$ 531**	$ 856	**$ 1,158**	$ 2,222
Preferred share dividends	**(33)**	(33)	**(65)**	(65)
Net earnings - common shareholders	**$ 498**	$ 823	**$ 1,093**	$ 2,157
Net loss from discontinued operations	**(71)**	(7)	**(90)**	(7)
Net earnings from continuing operations	**$ 569**	$ 830	**$ 1,183**	$ 2,164
Number of common shares				
Average number of common shares outstanding	**931,201,149**	931,775,201	**931,606,252**	931,547,619
Add: Potential exercise of outstanding stock options	**1,891,728**	693,769	**1,355,395**	1,319,106
Average number of common shares outstanding - diluted basis	**933,092,877**	932,468,970	**932,961,647**	932,866,725
Basic earnings per common share - continuing operations	**$ 0.61**	$ 0.89	**$ 1.27**	$ 2.32
Diluted earnings per common share - continuing operations	**$ 0.61**	$ 0.89	**$ 1.27**	$ 2.32
Basic earnings per common share	**$ 0.53**	$ 0.88	**$ 1.17**	$ 2.32
Diluted earnings per common share	**$ 0.53**	$ 0.88	**$ 1.17**	$ 2.31
Dividends per common share	**$ 0.52**	$ 0.49	**$ 1.04**	$ 0.98

15. Capital Management

(a) Policies and Objectives

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

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

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

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

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

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

(b) Regulatory Capital

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

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

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

	June 30 2023
Tier 1 Capital	**$ 18,028**
Tier 2 Capital	**5,433**
Total Available Capital	**23,461**
Surplus Allowance & Eligible Deposits	**5,176**
Total Capital Resources	**$ 28,637**
Required Capital	**$ 22,791**
Total LICAT Ratio (OSFI Supervisory Target = 100%) [1]	**126 %**

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

Other foreign operations and foreign subsidiaries of the Company are required to comply with local capital or solvency requirements in their respective jurisdictions.

16. Pension Plans and Other Post-Employment Benefits

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

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	**2023**	2022
Pension plans				
Service costs	**$ 74**	$ 68	**$ 144**	$ 137
Net interest	**(2)**	1	**(5)**	2
Curtailments	**(1)**	(1)	**1**	(1)
	71	68	**140**	138
Other post-employment benefits				
Service costs	**—**	—	**1**	1
Net interest	**3**	3	**6**	6
	3	3	**7**	7
Pension plans and other post-employment benefits (income) expense - Consolidated Statements of Earnings	**74**	71	**147**	145
Pension plans - re-measurements (gain) loss				
Actuarial (gain) loss	**(10)**	(1,164)	**224**	(2,009)
Return on assets (greater) less than assumed	**14**	868	**(99)**	1,335
Change in the asset ceiling	**6**	181	**(64)**	192
Pension plans re-measurement (gain) loss	**10**	(115)	**61**	(482)
Other post-employment benefits - re-measurements				
Actuarial (gain) loss	**(1)**	(35)	**5**	(80)
Pension plans and other post-employment benefits re-measurements - other comprehensive (income) loss	**9**	(150)	**66**	(562)
Total pension plans and other post-employment benefits (income) expense including re-measurements	**$ 83**	$ (79)	**$ 213**	$ (417)

The following sets out the weighted average discount rate used to re-measure the defined benefit obligation for pension plans and other post-employment benefits at the following dates:

	June 30		December 31	
	2023	2022	2022	2021
Weighted average discount rate	**4.8 %**	4.7 %	5.0 %	2.6 %

17. Income Taxes

(a) Income tax expense

Income tax recognized in Consolidated Statements of Earnings:

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	**2023**	2022
Current income taxes	**$ 163**	$ 94	**$ 337**	$ 249
Deferred income taxes	**(107)**	29	**(251)**	81
Total income tax expense	**$ 56**	$ 123	**$ 86**	$ 330

(b) Effective Income Tax Rate

The effective income tax rates are generally lower than the Company's statutory income tax rate of 28.0% due to benefits related to non-taxable investment income and lower income tax in certain foreign jurisdictions.

The effective income tax rate for the three months ended June 30, 2023 was 8.2% compared to 12.5% for the three months ended June 30, 2022. The effective income tax rate for the three months ended June 30, 2023 was lower than the effective income tax rate for the three months ended June 30, 2022 primarily due to higher non-taxable investment income and jurisdictional mix of earnings.

The effective income tax rate for the six months ended June 30, 2023 was 6.4% compared to 12.8% for the six months ended June 30, 2022. The effective income tax rate for the six months ended June 30, 2023 was lower than the effective income tax rate for the six months ended June 30, 2022 primarily due to the same reasons discussed for the in-quarter effective income tax rate results.

The effective income tax rate for the shareholder account for the three months ended June 30, 2023 was 12.0% compared to 13.2% for the three months ended June 30, 2022.

The effective income tax rate for the shareholder account for the six months ended June 30, 2023 was 9.2% compared to 14.2% for the six months ended June 30, 2022.

The effective income tax rates for the comparative figures have been restated to reflect the adoption of IFRS 17 and IFRS 9 and to exclude discontinued operations related to Putnam Investments from earnings.

In December 2021, the OECD published model rules outlining a structure for a new global 15% minimum tax regime to be implemented by participating countries at an agreed future date, currently expected (for most countries) to be 2024. Detailed commentary on the rules was released by the OECD during 2022. At this point, the countries where the Company currently operates, other than the U.S., have all indicated their participation. A number of these countries currently operate at a lower tax rate than the proposed minimum and when legislation is enacted the Company expects an increase in the effective income tax rate. The Company is awaiting the legislation and detailed guidance to assess the full implications of the minimum tax regime.

18. Segmented Information

(a) Consolidated Net Earnings

For the three months ended June 30, 2023

	Canada	United States	Europe	Capital and Risk Solutions	Lifeco Corporate	Total
Segment revenue						
Insurance revenue [1]	$ 2,339	$ 56	$ 1,492	$ 1,194	$ —	$ 5,081
Net investment income [2]	750	952	194	157	8	2,061
Changes in fair value on fair value through profit or loss assets [2]	(447)	(972)	(1,171)	(79)	1	(2,668)
	2,642	36	515	1,272	9	4,474
Fee and other income [3]	341	921	200	4	—	1,466
	2,983	957	715	1,276	9	5,940
Other insurance results						
Insurance service expenses	(1,649)	(43)	(1,286)	(985)	—	(3,963)
Net income (expenses) from reinsurance contracts	(336)	2	(74)	(7)	—	(415)
	(1,985)	(41)	(1,360)	(992)	—	(4,378)
Other investment results						
Net finance income (expenses) from insurance contracts	(397)	45	1,056	(73)	—	631
Net finance income (expenses) from reinsurance contracts	4	(2)	(8)	—	—	(6)
Changes in investment contract liabilities	(13)	293	(1)	7	—	286
	(406)	336	1,047	(66)	—	911
Net investment result - insurance contracts on account of segregated fund policyholders						
Net investment income	545	—	369	—	—	914
Net finance expenses from insurance contracts	(545)	—	(369)	—	—	(914)
	—	—	—	—	—	—
Other income and expenses						
Operating and administrative expenses	(352)	(936)	(255)	(14)	(14)	(1,571)
Amortization of finite life intangible assets	(26)	(52)	(18)	—	(1)	(97)
Financing costs	(34)	(59)	(11)	—	—	(104)
Restructuring and integration expenses	—	(28)	9	—	—	(19)
Earnings (loss) before income taxes	180	177	127	204	(6)	682
Income taxes	4	17	8	28	(1)	56
Net earnings (loss) from continuing operations before non-controlling interests	176	160	119	176	(5)	626
Net loss from discontinued operations	—	(71)	—	—	—	(71)
Net earnings (loss) before non-controlling interests	176	89	119	176	(5)	555
Attributable to non-controlling interests	23	1	—	—	—	24
Net earnings (loss)	153	88	119	176	(5)	531
Preferred share dividends	28	—	5	—	—	33
Net earnings (loss) before capital allocation	125	88	114	176	(5)	498
Impact of capital allocation	23	2	(12)	(7)	(6)	—
Net earnings (loss) - common shareholders	$ 148	$ 90	$ 102	$ 169	$ (11)	$ 498

[1] Included within insurance service result in the Consolidated Statements of Earnings.
[2] Included within net investment result in the Consolidated Statements of Earnings.
[3] Included within other income and expenses in the Consolidated Statements of Earnings.

18. Segmented Information (cont'd)

For the three months ended June 30, 2022

	Canada	United States	Europe	Capital and Risk Solutions	Lifeco Corporate	Total
Segment revenue						
Insurance revenue [1]	$ 2,206	$ 56	$ 1,363	$ 1,137	$ —	$ 4,762
Net investment income [2]	731	791	412	42	24	2,000
Changes in fair value on fair value through profit or loss assets [2]	(5,644)	(4,532)	(3,302)	(183)	1	(13,660)
	(2,707)	(3,685)	(1,527)	996	25	(6,898)
Fee and other income [3]	302	823	190	2	—	1,317
	(2,405)	(2,862)	(1,337)	998	25	(5,581)
Other insurance results						
Insurance service expenses	(1,450)	(51)	(1,120)	(924)	—	(3,545)
Net income (expenses) from reinsurance contracts	(368)	4	(53)	(2)	—	(419)
	(1,818)	(47)	(1,173)	(926)	—	(3,964)
Other investment results						
Net finance income from insurance contracts	5,045	287	3,568	113	—	9,013
Net finance expenses from reinsurance contracts	(44)	(2)	(492)	(6)	—	(544)
Changes in investment contract liabilities	13	3,719	(11)	54	—	3,775
	5,014	4,004	3,065	161	—	12,244
Net investment result - insurance contracts on account of segregated fund policyholders						
Net investment loss	(3,022)	—	(1,043)	—	—	(4,065)
Net finance income from insurance contracts	3,022	—	1,043	—	—	4,065
	—	—	—	—	—	—
Other income and expenses						
Operating and administrative expenses	(261)	(951)	(239)	(13)	(4)	(1,468)
Amortization of finite life intangible assets	(28)	(48)	(13)	—	—	(89)
Financing costs	(35)	(52)	(5)	(2)	(1)	(95)
Restructuring and integration expenses	—	(60)	—	—	—	(60)
Earnings (loss) before income taxes	467	(16)	298	218	20	987
Income taxes	97	(42)	32	31	5	123
Net earnings from continuing operations before non-controlling interests	370	26	266	187	15	864
Net loss from discontinued operations	—	(7)	—	—	—	(7)
Net earnings before non-controlling interests	370	19	266	187	15	857
Attributable to non-controlling interests	3	(2)	(1)	1	—	1
Net earnings	367	21	267	186	15	856
Preferred share dividends	28	—	5	—	—	33
Net earnings before capital allocation	339	21	262	186	15	823
Impact of capital allocation	23	2	(12)	(7)	(6)	—
Net earnings - common shareholders	$ 362	$ 23	$ 250	$ 179	$ 9	$ 823

[1] Included within insurance service result in the Consolidated Statements of Earnings.
[2] Included within net investment result in the Consolidated Statements of Earnings.
[3] Included within other income and expenses in the Consolidated Statements of Earnings.

18. Segmented Information (cont'd)

For the six months ended June 30, 2023

	Canada	United States	Europe	Capital and Risk Solutions	Lifeco Corporate	Total
Segment revenue						
Insurance revenue [1]	$ 4,696	$ 117	$ 2,964	$ 2,341	$ —	$ 10,118
Net investment income [2]	1,507	1,948	487	209	11	4,162
Changes in fair value on fair value through profit or loss assets [2]	1,104	403	(702)	104	(5)	904
	7,307	2,468	2,749	2,654	6	15,184
Fee and other income [3]	666	1,808	386	6	—	2,866
	7,973	4,276	3,135	2,660	6	18,050
Other insurance results						
Insurance service expenses	(3,331)	(89)	(2,567)	(1,971)	—	(7,958)
Net income (expenses) from reinsurance contracts	(670)	4	(83)	(8)	—	(757)
	(4,001)	(85)	(2,650)	(1,979)	—	(8,715)
Other investment results						
Net finance income (expenses) from insurance contracts	(2,711)	(143)	164	(249)	—	(2,939)
Net finance income (expenses) from reinsurance contracts	21	(4)	65	5	—	87
Changes in investment contract liabilities	(47)	(1,532)	(2)	(15)	—	(1,596)
	(2,737)	(1,679)	227	(259)	—	(4,448)
Net investment result - insurance contracts on account of segregated fund policyholders						
Net investment income	1,817	—	818	—	—	2,635
Net finance expenses from insurance contracts	(1,817)	—	(818)	—	—	(2,635)
	—	—	—	—	—	—
Other income and expenses						
Operating and administrative expenses	(687)	(1,879)	(488)	(26)	(20)	(3,100)
Amortization of finite life intangible assets	(51)	(100)	(34)	(1)	(1)	(187)
Financing costs	(68)	(124)	(25)	(1)	(1)	(219)
Restructuring and integration expenses	—	(54)	9	—	—	(45)
Earnings (loss) before income taxes	429	355	174	394	(16)	1,336
Income taxes	37	27	(1)	27	(4)	86
Net earnings (loss) from continuing operations before non-controlling interests	392	328	175	367	(12)	1,250
Net loss from discontinued operations	—	(90)	—	—	—	(90)
Net earnings (loss) before non-controlling interests	392	238	175	367	(12)	1,160
Attributable to non-controlling interests	1	1	—	—	—	2
Net earnings (loss)	391	237	175	367	(12)	1,158
Preferred share dividends	56	—	9	—	—	65
Net earnings (loss) before capital allocation	335	237	166	367	(12)	1,093
Impact of capital allocation	46	4	(24)	(14)	(12)	—
Net earnings (loss) - common shareholders	$ 381	$ 241	$ 142	$ 353	$ (24)	$ 1,093

[1] Included within insurance service result in the Consolidated Statements of Earnings.
[2] Included within net investment result in the Consolidated Statements of Earnings.
[3] Included within other income and expenses in the Consolidated Statements of Earnings.

18. Segmented Information (cont'd)

For the six months ended June 30, 2022

	Canada	United States	Europe	Capital and Risk Solutions	Lifeco Corporate	Total
Segment revenue						
Insurance revenue [1]	$ 4,396	$ 101	$ 2,738	$ 2,307	$ —	$ 9,542
Net investment income [2]	1,447	1,195	761	64	15	3,482
Changes in fair value on fair value through profit or loss assets [2]	(10,727)	(8,192)	(5,702)	(353)	22	(24,952)
	(4,884)	(6,896)	(2,203)	2,018	37	(11,928)
Fee and other income [3]	612	1,508	383	3	—	2,506
	(4,272)	(5,388)	(1,820)	2,021	37	(9,422)
Other insurance results						
Insurance service expenses	(2,996)	(92)	(2,291)	(1,903)	—	(7,282)
Net income (expenses) from reinsurance contracts	(705)	7	(82)	(1)	—	(781)
	(3,701)	(85)	(2,373)	(1,904)	—	(8,063)
Other investment results						
Net finance income from insurance contracts	9,789	664	6,481	306	—	17,240
Net finance expense from reinsurance contracts	(134)	(3)	(838)	(22)	—	(997)
Changes in investment contract liabilities	50	6,790	3	122	—	6,965
	9,705	7,451	5,646	406	—	23,208
Net investment result - insurance contracts on account of segregated fund policyholders						
Net investment loss	(3,935)	—	(1,514)	—	—	(5,449)
Net finance income from insurance contracts	3,935	—	1,514	—	—	5,449
	—	—	—	—	—	—
Other income and expenses						
Operating and administrative expenses	(586)	(1,619)	(468)	(28)	(6)	(2,707)
Amortization of finite life intangible assets	(56)	(88)	(25)	—	—	(169)
Financing costs	(68)	(100)	(11)	(3)	(1)	(183)
Restructuring and integration expenses	—	(77)	—	—	—	(77)
Earnings before income taxes	1,022	94	949	492	30	2,587
Income taxes	176	(41)	123	64	8	330
Net earnings from continuing operations before non-controlling interests	846	135	826	428	22	2,257
Net loss from discontinued operations	—	(7)	—	—	—	(7)
Net earnings before non-controlling interests	846	128	826	428	22	2,250
Attributable to non-controlling interests	31	(3)	(1)	1	—	28
Net earnings	815	131	827	427	22	2,222
Preferred share dividends	56	—	9	—	—	65
Net earnings before capital allocation	759	131	818	427	22	2,157
Impact of capital allocation	46	4	(24)	(14)	(12)	—
Net earnings - common shareholders	$ 805	$ 135	$ 794	$ 413	$ 10	$ 2,157

[1] Included within insurance service result in the Consolidated Statements of Earnings.
[2] Included within net investment result in the Consolidated Statements of Earnings.
[3] Included within other income and expenses in the Consolidated Statements of Earnings.

Income by source currency for Capital and Risk Solutions:

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	**2023**	2022
Income				
United States	**$ 311**	$ 180	**$ 705**	$ 328
United Kingdom	**447**	427	**938**	875
Japan	**9**	(132)	**167**	(235)
Other	**509**	523	**850**	1,053
Total income	**$ 1,276**	$ 998	**$ 2,660**	$ 2,021

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

	June 30, 2023				
	Canada	**United States**	**Europe**	**Capital and Risk Solutions**	**Total**
Assets					
Invested assets	**$ 86,248**	**$ 86,298**	**$ 38,482**	**$ 8,400**	**$ 219,428**
Insurance contract assets	**420**	**272**	**297**	**101**	**1,090**
Reinsurance contract held assets	**1,183**	**11,827**	**3,635**	**133**	**16,778**
Assets held for sale	**—**	**4,433**	**—**	**—**	**4,433**
Goodwill and intangible assets	**5,814**	**6,152**	**3,082**	**—**	**15,048**
Other assets	**4,792**	**14,449**	**3,316**	**53**	**22,610**
Investments on account of segregated fund policyholders	**98,216**	**176,858**	**135,542**	**—**	**410,616**
Total	**$ 196,673**	**$ 300,289**	**$ 184,354**	**$ 8,687**	**$ 690,003**
Liabilities					
Insurance contract liabilities	**$ 77,807**	**$ 17,686**	**$ 35,638**	**$ 5,643**	**$ 136,774**
Investment contract liabilities	**3,798**	**84,955**	**343**	**681**	**89,777**
Reinsurance contract held liabilities	**178**	**169**	**256**	**22**	**625**
Liabilities held for sale	**—**	**2,424**	**—**	**—**	**2,424**
Other liabilities	**7,119**	**10,155**	**3,100**	**639**	**21,013**
Insurance contracts on account of segregated fund policyholders	**32,936**	**12,574**	**13,710**	**—**	**59,220**
Investment contracts on account of segregated fund policyholders	**65,280**	**164,283**	**121,833**	**—**	**351,396**
Total	**$ 187,118**	**$ 292,246**	**$ 174,880**	**$ 6,985**	**$ 661,229**

18. Segmented Information (cont'd)

	December 31, 2022				
	Canada	United States	Europe	Capital and Risk Solutions	Total
Assets					
Invested assets	$ 85,343	$ 90,655	$ 38,652	$ 8,573	$ 223,223
Insurance contract assets	408	245	322	165	1,140
Reinsurance contract held assets	1,211	12,624	3,639	97	17,571
Goodwill and intangible assets	5,789	7,973	3,079	—	16,841
Other assets	3,682	18,430	3,297	140	25,549
Investments on account of segregated fund policyholders	93,816	166,274	127,792	—	387,882
Total	$ 190,249	$ 296,201	$ 176,781	$ 8,975	$ 672,206
Liabilities					
Insurance contract liabilities	$ 75,058	$ 18,669	$ 35,670	$ 6,041	$ 135,438
Investment contract liabilities	3,635	90,139	323	713	94,810
Reinsurance contract held liabilities	164	167	226	(20)	537
Other liabilities	7,809	13,202	3,089	644	24,744
Insurance contracts on account of segregated fund policyholders	32,535	12,432	12,874	—	57,841
Investment contracts on account of segregated fund policyholders	61,281	153,842	114,918	—	330,041
Total	$ 180,482	$ 288,451	$ 167,100	$ 7,378	$ 643,411

Assets by source currency for Capital and Risk Solutions:

	June 30, 2023	December 31, 2022
Assets		
United States	**$ 4,202**	$ 4,070
United Kingdom	**1,220**	1,317
Japan	**3,070**	3,279
Other	**195**	309
Total assets	**$ 8,687**	$ 8,975

GREAT-WEST
LIFECO INC.

greatwestlifeco.com

100 Osborne Street North
Winnipeg Manitoba Canada R3C 1V3