

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 management¹	1,042,373	1,040,214			
Total assets under administration¹	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 Ratio⁵	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, 2023¹. 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 management² 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.

Capital Transactions

- 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.

Macroeconomic 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.

	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 earnings¹ and net earnings - common shareholders by segment					
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.

	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 income¹	2,099	2,146	2,058	4,245	3,592
Investment expenses	(38)	(45)	(58)	(83)	(110)
Net investment income¹	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 income¹	\$ (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 result¹	\$ 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 result¹	\$ 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 income¹

	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 income¹	\$ 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.

Expenses¹

	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 %
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
Sales²					
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 flows²					
Group Retirement	\$ 157	\$ 418	\$ 86	\$ 575	\$ 627
Individual Wealth Management	(524)	(437)	(412)	(961)	(239)
Net cash flows²	\$ (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 premiums²	\$ 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 management¹	200,644	200,262			
Other assets under administration ²	27,362	26,989			
Total assets under administration¹	\$ 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.

<i>(in US\$ millions)</i>	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
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 management¹	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
Sales²					
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 income⁴					
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 income⁴	\$ 200	\$ 186	\$ 190	\$ 386	\$ 383
Group Life & Health book premiums²	\$ 2,306	\$ 2,230	\$ 2,051		
Total assets	\$ 184,354	\$ 182,867			
Other assets under administration ²	58,228	56,858			
Total assets under management¹	242,582	239,725			
Other assets under administration ^{2,3}	11,555	11,878			
Total assets under administration¹	\$ 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 assets³	\$ 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 administration¹

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 management¹	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 administration¹	\$ 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 management¹	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 administration¹	\$ 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 assets¹

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)					Seg Funds	Par	Total
	Canada	United States	Europe	Capital and Risk Solutions	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				
	Market Value	Investment deficiency by benefit type			Total ¹
		Income	Maturity	Death	
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	<u>23,461</u>	<u>23,748</u>	
Surplus Allowance & Eligible Deposits	5,176	5,322	
Total Capital Resources	<u>\$ 28,637</u>	<u>\$ 29,070</u>	
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

	June 30 2023	March 31 2023	Dec. 31 2022 (Restated)
Base Return on Equity^{2,3}			
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 %
	June 30 2023	March 31 2023	Dec. 31 2022 (Restated)
Return on Equity¹			
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 Basis¹	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 ratings³ 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		NR
	Financial Strength		AA		
	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 earnings⁴ 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 EPS⁵ growth and base dividend payout ratio remain unchanged, while medium-term financial objective for base ROE² 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 statements¹	\$ 690,003	\$ 691,853
Other AUM ¹	352,370	348,361
Total AUM¹	\$ 1,042,373	\$ 1,040,214
Other AUA	1,601,005	1,555,937
Total AUA¹	\$ 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 revenue¹	\$ 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	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.