

**CONSOLIDATED
FINANCIAL
STATEMENTS**

2025

**FOR THE YEAR ENDED
December 31, 2025**

**GREAT-WEST
LIFECO**

Consolidated Statements of Earnings

(in Canadian \$ millions except per share amounts)

For the years
ended December 31

	2025	2024
Insurance service result		
Insurance revenue (note 12)	\$ 22,321	\$ 21,214
Insurance service expenses (note 13)	(17,239)	(16,368)
Net expense from reinsurance contracts	(1,703)	(1,599)
	<u>3,379</u>	<u>3,247</u>
Net investment result (note 6)		
Net investment income	9,853	9,683
Changes in fair value on fair value through profit or loss assets	3,907	1,676
	<u>13,760</u>	<u>11,359</u>
Net finance income (expenses) from insurance contracts	(6,355)	(5,918)
Net finance income (expenses) from reinsurance contracts	(326)	(10)
Changes in investment contract liabilities	(5,002)	(2,932)
	<u>2,077</u>	<u>2,499</u>
Net investment result - insurance contracts on account of segregated fund policyholders		
Net investment income	5,044	6,828
Net finance income (expenses) from insurance contracts	(5,044)	(6,828)
	<u>—</u>	<u>—</u>
Other income and expenses		
Fee and other income	7,895	7,224
Operating and administrative expenses (note 13)	(7,461)	(7,050)
Amortization of finite life intangible assets (note 9)	(441)	(415)
Financing costs (note 19)	(379)	(402)
Restructuring and integration expenses (note 4)	(375)	(122)
	<u>4,695</u>	<u>4,981</u>
Earnings before income taxes	4,695	4,981
Income taxes (note 29)	534	737
	<u>4,161</u>	<u>4,244</u>
Net earnings from continuing operations before non-controlling interests	4,161	4,244
Attributable to non-controlling interests (note 21)	41	103
	<u>4,120</u>	<u>4,141</u>
Net earnings - common shareholders, before preferred share dividends and other equity distributions	4,120	4,141
Preferred share dividends and other equity distributions	160	130
	<u>3,960</u>	<u>4,011</u>
Net earnings from continuing operations	3,960	4,011
Net loss from discontinued operations	—	(115)
Net gain from disposal of discontinued operations	—	44
	<u>—</u>	<u>44</u>
Net earnings - common shareholders	<u>\$ 3,960</u>	<u>\$ 3,940</u>
Earnings per common share (note 23)		
Basic	\$ 4.29	\$ 4.23
Diluted	\$ 4.26	\$ 4.21
Earnings per common share from continuing operations (note 23)		
Basic	\$ 4.29	\$ 4.30
Diluted	\$ 4.26	\$ 4.29

Consolidated Statements of Comprehensive Income

(in Canadian \$ millions)

For the years
ended December 31

	2025	2024
Net earnings - common shareholders, before preferred share dividends and other equity distributions	\$ 4,120	\$ 4,070
Other comprehensive income (loss)		
Items that may be reclassified subsequently to Consolidated Statements of Earnings		
Unrealized foreign exchange gains (losses) on translation of foreign operations	(208)	1,413
Foreign exchange translation gains reclassified to earnings on disposal of foreign operations	—	(211)
Unrealized gains (losses) on hedges of the net investment in foreign operations	(243)	(172)
Income tax (expense) benefit	(1)	40
Unrealized gains (losses) on bonds and mortgages at fair value through other comprehensive income	130	113
Income tax (expense) benefit	(21)	(25)
Realized (gains) losses on bonds and mortgages at fair value through other comprehensive income (note 6)	(8)	47
Income tax expense (benefit)	3	(10)
Unrealized gains on cash flow hedges	240	64
Income tax (expense) benefit	(65)	(17)
Realized (gains) losses on cash flow hedges	(194)	(61)
Income tax expense (benefit)	52	16
Non-controlling interests	23	(109)
Income tax (expense) benefit	(6)	30
Total items that may be reclassified	(298)	1,118
Items that will not be reclassified to Consolidated Statements of Earnings		
Unrealized gains (losses) on stocks at fair value through other comprehensive income	155	(409)
Re-measurements on defined benefit pension and other post-employment benefit plans (note 26)	165	264
Income tax (expense) benefit	(45)	(72)
Non-controlling interests	(15)	(21)
Income tax (expense) benefit	4	6
Total items that will not be reclassified	264	(232)
Total other comprehensive income (loss)	(34)	886
Comprehensive income	\$ 4,086	\$ 4,956

Consolidated Balance Sheets

(in Canadian \$ millions)

	December 31 2025	December 31 2024
Assets		
Cash and cash equivalents (note 5)	\$ 8,902	\$ 10,709
Bonds (note 6)	174,468	167,114
Mortgage loans (note 6)	36,873	38,879
Stocks (note 6)	21,515	18,826
Investment properties (note 6)	8,293	8,257
	<u>250,051</u>	<u>243,785</u>
Insurance contract assets (note 14)	1,571	1,193
Reinsurance contract held assets (note 15)	16,850	17,842
Goodwill (note 9)	11,283	11,428
Intangible assets (note 9)	4,912	4,958
Derivative financial instruments (note 30)	1,863	2,431
Owner occupied properties (note 10)	829	789
Fixed assets (note 10)	395	346
Accounts and interest receivable	6,029	5,402
Other assets (note 11)	15,190	15,265
Current income taxes	401	272
Deferred tax assets (note 29)	2,285	2,066
Investments on account of segregated fund policyholders (note 17)	551,169	496,386
Total assets	<u>\$ 862,828</u>	<u>\$ 802,163</u>
Liabilities		
Insurance contract liabilities (note 14)	\$ 161,644	\$ 155,683
Investment contract liabilities (note 16)	89,042	90,157
Reinsurance contract held liabilities (note 15)	919	795
Debentures and other debt instruments (note 18)	8,792	9,469
Derivative financial instruments (note 30)	2,412	2,137
Accounts payable	3,981	3,524
Other liabilities (note 20)	10,431	10,230
Current income taxes	498	294
Deferred tax liabilities (note 29)	937	834
Insurance contracts on account of segregated fund policyholders (note 17)	70,418	66,343
Investment contracts on account of segregated fund policyholders (note 17)	480,751	430,043
Total liabilities	<u>829,825</u>	<u>769,509</u>
Equity		
Non-controlling interests (note 21)		
Participating account surplus in subsidiaries	3,079	3,041
Non-controlling interests in subsidiaries	67	72
Shareholders' equity		
Share capital (note 22)		
Limited recourse capital notes	1,500	1,500
Preferred shares	2,920	2,720
Common shares	5,983	6,071
Accumulated surplus	17,503	17,266
Accumulated other comprehensive income (note 27)	1,742	1,776
Contributed surplus	209	208
Total equity	<u>33,003</u>	<u>32,654</u>
Total liabilities and equity	<u>\$ 862,828</u>	<u>\$ 802,163</u>

Approved by the Board of Directors:



Jeffrey Orr
Chair of the Board



David Harney
President and Chief Executive Officer

Consolidated Statements of Changes in Equity

(in Canadian \$ millions)

	December 31, 2025					
	Share capital	Contributed surplus	Accumulated surplus	Accumulated other comprehensive income (loss)	Non- controlling interests	Total equity
Balance, beginning of year	\$ 10,291	\$ 208	\$ 17,266	\$ 1,776	\$ 3,113	\$ 32,654
Net earnings - common shareholders, before preferred share dividends and other equity distributions	—	—	4,120	—	41	4,161
Other comprehensive income (loss)	—	—	—	(34)	(6)	(40)
	10,291	208	21,386	1,742	3,148	36,775
Preferred share dividends and other equity distributions (note 23)	—	—	(160)	—	—	(160)
Common share dividends	—	—	(2,253)	—	—	(2,253)
Shares exercised and issued under share-based payment plans (note 22)	99	(22)	—	—	16	93
Shares purchased and cancelled under normal course issuer bid (note 22)	(187)	—	(1,466)	—	—	(1,653)
Equity settlement of subsidiary's share-based plans	—	—	—	—	(8)	(8)
Issuance of preferred shares (note 22)	200	—	—	—	—	200
Share issue costs (note 22)	—	—	(4)	—	—	(4)
Share-based payment plans expense	—	23	—	—	—	23
Derecognition of non-controlling interest in subsidiary	—	—	—	—	(10)	(10)
Balance, end of year	\$ 10,403	\$ 209	\$ 17,503	\$ 1,742	\$ 3,146	\$ 33,003

	December 31, 2024					
	Share capital	Contributed surplus	Accumulated surplus	Accumulated other comprehensive income	Non- controlling interests	Total equity
Balance, beginning of year	\$ 10,220	\$ 234	\$ 15,492	\$ 890	\$ 3,015	\$ 29,851
Net earnings - common shareholders, before preferred dividends	—	—	4,070	—	103	4,173
Other comprehensive income	—	—	—	886	94	980
	10,220	234	19,562	1,776	3,212	35,004
Preferred share dividends (note 23)	—	—	(130)	—	—	(130)
Common share dividends	—	—	(2,069)	—	—	(2,069)
Shares exercised and issued under share-based payment plans (note 22)	88	(20)	—	—	12	80
Shares purchased and cancelled under normal course issuer bid (note 22)	(17)	—	(97)	—	—	(114)
Equity settlement of subsidiary's share-based plans	—	—	—	—	(9)	(9)
Impact of sale of discontinued operations	—	(32)	—	—	(99)	(131)
Share-based payment plans expense	—	26	—	—	—	26
Derecognition of non-controlling interest in subsidiary	—	—	—	—	(3)	(3)
Balance, end of year	\$ 10,291	\$ 208	\$ 17,266	\$ 1,776	\$ 3,113	\$ 32,654

Consolidated Statements of Cash Flows

(in Canadian \$ millions)

For the years
ended December 31

	2025	2024
Operations		
Earnings before income taxes	\$ 4,695	\$ 4,821
Income taxes paid, net of refunds received	(764)	(707)
Adjustments:		
Change in insurance contract liabilities	5,024	5,636
Change in investment contract liabilities	3,132	(5,538)
Change in reinsurance contract held liabilities	120	115
Change in reinsurance contract held assets	663	586
Change in insurance contract assets	(371)	38
Changes in fair value through profit or loss	(3,907)	(1,676)
Sales, maturities and repayments of portfolio investments	56,482	43,805
Purchases of portfolio investments	(61,194)	(42,566)
Other	(1,172)	237
	2,708	4,751
Financing Activities		
Issue of common shares	99	88
Issue of preferred shares (note 22)	200	—
Share issue costs (note 22)	(4)	—
Purchased and cancelled common shares	(1,653)	(114)
Repayment of senior notes (note 3)	(689)	—
Increase in line of credit of subsidiaries	138	—
Decrease in line of credit of subsidiaries	—	(60)
Dividends paid on common shares	(2,253)	(2,069)
Dividends paid on preferred shares & other equity distributions	(160)	(130)
	(4,322)	(2,285)
Investment Activities		
Impact from sale of discontinued operations	—	(211)
Investment in associates and joint ventures	(56)	(121)
Business acquisitions, net of cash and cash equivalents acquired	—	(76)
	(56)	(408)
Effect of changes in exchange rates on cash and cash equivalents	(137)	534
Increase (decrease) in cash and cash equivalents	(1,807)	2,592
Cash and cash equivalents, beginning of year	10,709	8,117
Cash and cash equivalents, end of year	\$ 8,902	\$ 10,709
Supplementary cash flow information		
Interest income received	\$ 8,037	\$ 7,657
Interest paid	389	410
Dividend income received	512	494

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

1. Corporate Information

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

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

The consolidated financial statements (financial statements) of the Company as at and for the year ended December 31, 2025 were approved by the Board of Directors on February 11, 2026.

2. Basis of Presentation and Summary of Material Accounting Policies

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

Changes in Accounting Policies

The Company adopted the amendments to IFRS Accounting Standards for IAS 21, *The Effects of Changes in Foreign Exchange Rates* effective January 1, 2025. The adoption of these amendments did not have a material impact on the Company's financial statements.

Basis of Consolidation

The consolidated financial statements of the Company were prepared as at and for the year ended December 31, 2025 with comparative information as at and for the year ended December 31, 2024. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The Company has control when it has the power to direct the relevant activities, has significant exposure to variable returns from these activities and has the ability to use its power to affect the variable returns. All intercompany balances and transactions, including income and expenses, profits or losses and dividends, are eliminated on consolidation.

Use of Significant Judgments, Estimates and Assumptions

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

- Management applies judgment in determining the fair value of assets acquired and liabilities assumed in a business combination.
- Management applies judgment in determining the assets and liabilities to be included in a disposal group, and uses estimates in the determination of the fair value for disposal groups, including contingent consideration and costs to sell.
- Management uses independent qualified appraisal services to determine the fair value of investment properties, which utilize judgments and estimates. These appraisals are adjusted by applying management judgments and estimates for material changes in property cash flows, capital expenditures or general market conditions (note 6).
- Management uses internal valuation models which utilize judgments and estimates to determine the fair value of equity release mortgages. These valuations are adjusted by applying management judgments and estimates for material changes in projected asset cash flows, and discount rates (note 6).
- In the determination of the fair value of financial instruments, management exercises judgment in the determination of fair value inputs, particularly those items categorized within level 3 of the fair value hierarchy (note 8).
- Cash generating units for intangible assets and cash generating unit groupings for goodwill have been determined by management as the lowest level that the assets are monitored for internal reporting purposes, which requires management judgment in the determination of the lowest level of monitoring (note 9).

- Management evaluates the future benefit for initial recognition and measurement of goodwill and intangible assets as well as testing the recoverable amounts. The determination of the carrying value and recoverable amounts of the cash generating unit groupings for goodwill and cash generating units for intangible assets relies upon the determination of fair value or value-in-use using valuation methodologies (note 9).
- Management applies judgment in determining whether deferred acquisition costs and deferred income reserves can be recognized on the Consolidated Balance Sheets. Deferred acquisition costs are recognized if management determines the costs meet the definition of an asset, are incremental and related to the issuance of the investment contract (notes 11 and 20).
- Management applies judgment when evaluating the classification of insurance and reinsurance contracts to determine whether these arrangements should be accounted for as insurance, investment or service contracts.
- The actuarial assumptions, such as mortality, longevity, morbidity, expense and policyholder behaviour, used in the valuation of insurance and certain investment contract liabilities require judgment and estimation (notes 14 and 16).
- Management applies judgment in determining the coverage units which are based on an estimate of the quantity of coverage provided by the contracts in a group, considering the quantity of benefits provided and the expected coverage duration.
- The Company considers all terms of contracts it issues to determine whether there are amounts payable to the policyholder in all circumstances, regardless of contract cancellation, maturity, and the occurrence or non-occurrence of an insured event. Some amounts, once paid by the policyholder, are repayable to the policyholder in all circumstances. The Company considers such payments to meet the definition of an investment component, irrespective of whether the amount repayable varies over the term of the contract as the amount is repayable only after it has first been paid by the policyholder.
- In determining discount rates to apply to most insurance contract liability cash flows, the Company generally uses the top-down approach for cash flows of non-participating contracts that do not depend on underlying items. Applying this approach, the Company uses the yield curve implied in a reference portfolio of assets and adjusts it to exclude the effects of risks (e.g., credit risk) present in the cash flows from the financial instruments that are part of the reference portfolio, but not in the insurance cash flows. One of the key sources of estimation uncertainty is estimating the market risk premiums for credit risk of the underlying items that are only relevant to assets included in the reference portfolio, but not to the non-participating contracts. For some products, discount rates are set using a bottom-up approach, based on risk-free rates, plus an illiquidity premium, which also requires judgment (note 14).
- When determining the risk adjustment for non-financial risk, the Company applies judgment in reflecting diversification and calculating the confidence level.
- The determination of whether a contract or a group of contracts is onerous is based on the expectations as at the date of initial recognition and subsequently, with fulfillment cash flow expectations determined on a probability-weighted basis. The Company determines the appropriate level at which reasonable and supportable information is available to make this assessment. The Company applies judgment in determining at what level of granularity the Company has sufficient information to conclude that all contracts within a set will be in the same group.
- The measurement of impairment losses under IFRS 9, *Financial Instruments* (IFRS 9) across relevant financial assets requires judgment, in particular for the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk.
- The actuarial assumptions used in determining the expense and benefit obligations for the Company's defined benefit pension plans and other post-employment benefits requires judgment and estimation. Management reviews previous experience of its plan members and market conditions including interest rates and inflation rates in evaluating the assumptions used in determining the expense for the current year (note 26).
- The Company operates within various tax jurisdictions where management judgments and estimates are required when interpreting the relevant tax laws, regulations and legislation in the determination of the Company's tax provisions and the carrying amounts of its tax assets and liabilities (note 29).
- Management applies judgment in assessing the recoverability of the deferred income tax asset carrying values based on future years' taxable income projections (note 29).
- Legal and other provisions are recognized resulting from a past event which, in the judgment of management, has resulted in a probable outflow of economic resources which would be passed to a third-party to settle the obligation. Management applies judgment in evaluating the possible outcomes and risks in determining the best estimate of the provision at the balance sheet date (note 31).

- The operating segments of the Company are the segments reviewed by the Company's Chief Executive Officer to assess performance and allocate resources within the Company. Management applies judgment in the aggregation of the business units into the Company's operating segments (note 33).
- The Company consolidates all subsidiaries and entities which management determines that the Company controls. Control is evaluated on the ability of the Company to direct the activities of the subsidiary or entity to derive variable returns and management applies judgment in determining whether control exists. Judgment is exercised in the evaluation of the variable returns and in determining the extent to which the Company has the ability to exercise its power to generate variable returns.
- Management applies judgment when determining whether the Company retains the primary obligation with a client in sub-advisor arrangements. Where the Company retains the primary obligation to the client, revenue and expenses are recorded on a gross basis.
- The results of the Company reflect management's judgments regarding the impact of prevailing global credit, equity and foreign exchange market conditions. The Company's practice is to use third-party independent credit ratings where available. Judgment is required when setting credit ratings for instruments that do not have a third-party rating.

The material accounting policies are as follows:

(a) Portfolio Investments

Portfolio investments that meet the definition of a financial asset include bonds, mortgage loans and stocks.

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

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

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

- It is held in a business model whose objective is to hold to collect contractual cash flows and sell financial assets, and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding; or
- It is an investment in an equity instrument that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination, and at initial recognition, the Company has made an irrevocable election to present subsequent changes in FVOCI.

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

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

FVOCI investments are recognized at fair value on the Consolidated Balance Sheets with unrealized gains and losses recorded in the Consolidated Statements of Other Comprehensive Income.

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

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

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

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

occupied properties. Property that is leased that would otherwise be classified as investment property if owned by the Company is also included within investment properties.

Investments in Joint Arrangements and Associates

The Company recognizes an investee as a joint venture when the Company or one of its subsidiaries requires unanimous consent with other investor(s) over decisions about the relevant activities of the investee. An associate is an entity which the Company exercises significant influence over the entity's financial and operating policies without having control or joint control.

The Company applies equity method accounting to its investments in joint ventures and associates. Under the equity method, an investment in a joint venture or an associate is recognized initially on the Consolidated Balance Sheets at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income. The Company's investments in associates and joint ventures are presented as stocks on the Consolidated Balance Sheets. The Company's proportionate share of the associate's or joint venture's earnings is recorded in net investment income in the Consolidated Statements of Earnings.

Fair Value Measurement

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

Bonds - FVTPL and FVOCI

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

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

Mortgages - FVTPL and FVOCI

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

Equity Release Mortgages - FVTPL

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

Stocks - FVTPL and FVOCI

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

Investment Properties

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

Net Investment Income Recognition

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

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

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

Derecognition

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in the Consolidated Statements of Earnings. In addition, on derecognition of an investment in a debt instrument classified as FVOCI, the cumulative gain or loss previously accumulated is reclassified to the Consolidated Statements of Earnings. On derecognition of stocks designated as FVOCI, the cumulative gain or loss previously accumulated remains in equity.

Expected Credit Losses

Expected credit loss (ECL) allowances are recognized on all financial assets, except for financial assets classified or designated as FVTPL and equity securities designated as FVOCI.

The 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, which is a three-stage impairment approach.

Stage 1

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

Stage 2

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

Stage 3

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

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

Modified Financial Assets

An existing financial asset whose terms have been modified may be derecognized and the renegotiated asset recognized as a new financial asset at fair value in accordance with the Company's accounting policies.

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

Definition of Default

The definition of default used in the measurement of ECL is consistent with the definition used for the Company's internal credit risk management purposes. A financial asset is considered to be in default when the issuer is unlikely to meet its credit obligations in full or when it is 90 days past due.

Securities Lending

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

(b) Transaction Costs

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

(c) Cash and Cash Equivalents

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

(d) Trading Account Assets

Trading account assets include the portfolio investments of the Company's consolidated Collateralized Loan Obligations (CLOs), sponsored funds, open ended investment companies and sponsored unit-trusts, which are carried at fair value based on the net asset value of these funds. Investments in these assets are included in other assets on the Consolidated Balance Sheets with realized and unrealized gains and losses reported in the Consolidated Statements of Earnings.

Each CLO is a special purpose vehicle that owns a portfolio of investments, consisting primarily of senior secured loans, and issues various tranches of senior and subordinated notes to third parties for the purpose of financing the purchase of those investments. Assets of the special purpose vehicle, the senior secured loans, are included in other assets and the associated liabilities, the senior and subordinated notes issued to third parties, are included in other liabilities on the Consolidated Balance Sheets.

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

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

(f) Other Assets and Other Liabilities

Other assets includes prepaid expenses, deferred acquisition costs, finance leases receivable, right-of-use assets and other miscellaneous assets, which are measured at cost or amortized cost. Other assets also includes funds held under investment contracts, which comprises of cash and cash equivalents, bonds, mortgages and other miscellaneous assets, which are measured in accordance with the Company's corresponding accounting policies.

Other liabilities includes deferred income reserves, bank overdraft, lease liabilities and other miscellaneous liabilities, which are measured at cost or amortized cost.

Other liabilities also include notes of consolidated CLOs, which are classified as FVTPL. Gains or losses are recognized in net investment income in the Consolidated Statements of Earnings.

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

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

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

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

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

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

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

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

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

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

(h) Derivative Financial Instruments and Hedging

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

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

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

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

As permitted under IFRS 9, the Company has elected to continue to apply the hedge accounting principles under IAS 39, *Financial Instruments*, instead of those under IFRS 9. To qualify for hedge accounting, the relationship between the hedged item and the hedging instrument must meet several strict conditions on documentation, probability of occurrence, hedge effectiveness and reliability of measurement. If these conditions are not met, the relationship does not qualify for hedge accounting treatment and both the hedged item and the hedging instrument are reported independently as if there was no hedging relationship.

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

Derivatives Not Designated as Hedges for Accounting Purposes

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

Fair Value Hedges

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

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

Cash Flow Hedges

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

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

Net Investment Hedges

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

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

(i) Foreign Currency Translation

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

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

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

(j) Business Combinations, Goodwill and Intangible Assets

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

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

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

Impairment Testing

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

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

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

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

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

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

(k) Fee and Other Income Recognition

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

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

(l) Owner Occupied Properties and Fixed Assets

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

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

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

(m) Deferred Acquisition Costs

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

(n) Segregated Funds

Segregated fund assets and liabilities arise from contracts where all financial risks associated with the related assets are borne by policyholders and are presented separately on the Consolidated Balance Sheets. The assets and liabilities are set equal to the fair value of the underlying asset portfolio. Segregated fund contracts are classified as insurance contracts or investment contracts following the classification criteria described in the accounting policy for Insurance Contracts, Investment Contracts and Reinsurance Contracts Held. Investment income and changes in fair value of the segregated fund assets are offset by a corresponding change in the segregated fund liabilities. The Company accounts for guarantees on its segregated fund products within insurance contract liabilities on the Consolidated Balance Sheets.

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

Contract Classification

Insurance Contracts

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

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

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

Investment Contracts

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

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

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

Reinsurance Contracts Held

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

Separating Components from Insurance and Reinsurance Contracts

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

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

After separating any financial instrument components, the Company separates any promises to transfer distinct goods or non-insurance services to policyholders and accounts for them as separate contracts with customers. A good or service is distinct if the policyholder can benefit from it either on its own or with other resources that are readily available to the policyholder. A

good or service is not distinct and is accounted for together with the insurance component if the cash flows and risks associated with the good or service are highly inter-related with the cash flows and risks associated with the insurance component, and the Company provides a significant service of integrating the good or service with the insurance component.

Level of Aggregation

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

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

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

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

Initial Recognition

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

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

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

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

Contract Boundaries

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

- The Company has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks, or
- Both the following criteria are satisfied:
 - The Company has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio; and

- The pricing of the premiums for coverage up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

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

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

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

Measurement of Insurance Contracts

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

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

The General Measurement Model

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

Initial Measurement

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

Fulfillment Cash Flows

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

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

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

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

Contractual Service Margin

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

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

Discount Rates

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

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

In cases where the insurance contract liabilities are not backed by assets, the Company applies the bottom-up approach to set the discount rate. This approach uses a risk-free rate, plus a spread to reflect the liquidity characteristics of the liability. Risk-free rates are determined by reference to highly liquid government securities in the currency of the insurance contract liability, and the spread is derived from an external benchmark.

Risk Adjustment

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

Insurance Acquisition Cash Flows

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

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

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

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

Subsequent Measurement

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

- The liability for remaining coverage comprises the fulfillment cash flows that relate to services that will be provided under the contracts in future periods and any remaining CSM at that date.

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- The liability for incurred claims comprises the fulfillment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported.

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

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

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

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

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

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

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

The Variable Fee Approach

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

Recognition

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

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

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

Initial Measurement

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

Subsequent Measurement

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

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

Risk Mitigation

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

Premium Allocation Approach

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

Recognition

Contracts with Coverage Periods of One Year or Less

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

Contracts with Coverage Periods of More than One Year

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

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

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

Measurement

Initial Measurement of the Liability for Remaining Coverage

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

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

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

Subsequent Measurement

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

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

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

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

Measurement of Reinsurance Contracts Held

The General Measurement Model

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

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

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

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

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

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

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

The Premium Allocation Approach

The Company reinsures some of its direct insurance contract liabilities. The reinsurance contracts held that are eligible for the PAA and have underlying direct contracts measured under the PAA are also classified and measured under the PAA.

Onerous Underlying Insurance Contracts

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

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

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

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

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

Measurement of Investment Contracts

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

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

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

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

Coverage Units

Amortization of the Contractual Service Margin

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

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

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

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

Insurance Revenue

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

Insurance Finance Income or Expenses

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

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

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

Net Income or Expense from Reinsurance Contracts Held

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

Contract Modifications and Derecognition

Contract Modifications

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

Derecognition of Contracts

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

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

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

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

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

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

(p) Deferred Income Reserves

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

(q) Income Taxes

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

Current Income Tax

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

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

Deferred Income Tax

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

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

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

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

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

(r) Pension Plans and Other Post-Employment Benefits

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

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

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

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

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

(s) Equity

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

Limited recourse capital notes are classified as share capital as the Company has the sole discretion to settle the obligation to noteholders through the issuance of a fixed number of the Company's own equity instruments. Interest incurred on these instruments is recognized as a deduction from equity when incurred.

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

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

The Company presents the following as non-controlling interests:

- the portion of equity that is attributable to minority shareholders in its subsidiaries, and
- the equity attributable to the participating account of its subsidiaries.

(t) Share-Based Payments

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

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

Information on the Company's Deferred Share Unit (DSU), Performance Share Unit (PSU), and Employee Share Ownership Plans (ESOP) is included in note 25.

The Company's stock option plan is accounted for as equity-settled and all other share-based payments are accounted for as cash-settled.

(u) Earnings Per Common Share

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

(v) Leases

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

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

The lease liability is measured at amortized cost using the effective interest method and is included within other liabilities. Interest expense on lease liabilities is included within operating and administrative expenses.

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

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

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

(w) Operating Segments

Operating segments have been identified based on internal reports that are regularly reviewed by the Company's Chief Executive Officer to allocate resources and assess performance of segments and for which discrete financial information is available. The Company's operating segments include United States, Canada, Europe, Capital and Risk Solutions, and Corporate. The United States segment consists primarily of Empower's main businesses: Empower Workplace and Empower Wealth. The Canada segment comprises the Retirement, Wealth, Group Benefits and Insurance & Annuities lines of business. The Europe segment comprises businesses in United Kingdom, Ireland, and Germany. Reinsurance is reported in the Capital and Risk Solutions segment. The Corporate segment represents activities and transactions that are not directly attributable to the measurement of the other operating segments of the Company.

(x) Future Accounting Policies

The Company actively monitors changes in IFRS Accounting Standards, both proposed and released, by the IASB for potential impact on the Company. The following sets out standards released and updates to the Company's analysis since the year ended December 31, 2024:

New Standard	Summary of Future Changes
IFRS 18 – <i>Presentation and Disclosure in Financial Statements</i>	<p>In April 2024, the IASB published IFRS 18, <i>Presentation and Disclosure in Financial Statements</i> (IFRS 18). The standard aims to improve how companies communicate information in their financial statements, with a focus on information about financial performance in the statement of earnings.</p> <p>IFRS 18 will require companies to:</p> <ul style="list-style-type: none"> • Provide defined subtotals in the statement of earnings; • Disclose information for any management-defined performance measures related to the statement of earnings; and • Implement principles for the grouping of information in the financial statements, and whether to provide it in the primary financial statements or notes. <p>The standard is effective for annual reporting periods beginning on or after January 1, 2027, with earlier application permitted. The Company is evaluating the impact of the adoption of this standard.</p>
IFRS 9 – <i>Financial Instruments</i> and IFRS 7 – <i>Financial Instruments: Disclosures</i>	<p>In May 2024, the IASB published amendments to IFRS 9, <i>Financial Instruments</i> and IFRS 7, <i>Financial Instruments: Disclosures</i>. The amendments clarify the classification of financial assets with environmental, social and corporate governance and similar features, the settlement of liabilities through electronic payment systems, and introduce additional disclosure requirements to enhance transparency for investors.</p> <p>These amendments are effective for annual reporting periods beginning on or after January 1, 2026, with earlier application permitted. The Company does not anticipate an impact on its consolidated financial statements as a result of these amendments, except indicated below:</p> <ul style="list-style-type: none"> • The Company will apply the election permitted by the amendments to deem a financial liability (or part of a financial liability) that is settled using an electronic payment system to be derecognized before the settlement date if specified criteria are met. The Company will apply this election to all settlements made through electronic payment systems meeting the criteria, effective January 1, 2026. • For cash settlement of financial liabilities not qualified for the election, at each period-end, the Company will derecognize the associated liabilities on settlement date. The Company expects the adoption of these amendments will not have a material impact on the Company's financial statements. <p>These amendments will be applied retrospectively with no restatement to comparative balances.</p>

3. Business Acquisitions and Other Transactions**Sale of U.K. Onshore Bond Business**

On December 23, 2024, Canada Life U.K. announced the signing of an agreement to transfer its onshore bond business to Countrywide Assured plc (Countrywide), a subsidiary of Chesnara plc. Concurrently, the two parties entered into a reinsurance agreement such that the risks and rewards of the underlying business are transferred to Countrywide. For the year ended December 31, 2024, the transaction resulted in a net gain of \$21 pre-tax, mainly driven by recognition of assets associated with the reinsurance agreement. The underlying assets and the related liabilities on account of segregated fund policyholders, with a carrying value of \$2,787 as at December 31, 2025 (\$2,750 as at December 31, 2024), are to be transferred to Countrywide pending court approval, which is expected to occur in 2026.

4. Restructuring Expenses

The Company undertakes a variety of initiatives related to operational restructuring, acquisition-related integration and technology and process modernization. Only the initiatives that qualify as formal restructuring programs in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, result in a provision. These provisions are described further below. Other restructuring and business transformation costs that do not qualify are expensed as incurred and are not included in the amounts described below.

The Company recorded restructuring provisions of \$361 for the year ended December 31, 2025. The provisions recorded in the year ended December 31, 2025 are related to planned technology and efficiency initiatives intended to position the Company for future growth and expense savings, primarily driven by initiatives in Canada of \$226 (\$186 in the shareholder account and \$40 in the participating account) and Europe of \$107. The Company expects to complete these restructuring initiatives by the end of 2027. For the year ended December 31, 2024, the Company recorded restructuring provisions of \$78.

As at December 31, 2025, the Company has restructuring provisions of \$365 remaining in other liabilities (\$121 at December 31, 2024).

5. Cash and Cash Equivalents

	2025	2024
Cash	\$ 4,008	\$ 4,772
Short-term deposits	4,894	5,937
Total	\$ 8,902	\$ 10,709

At December 31, 2025 cash and short-term deposits of \$708 were restricted for use by the Company (\$1,145 at December 31, 2024) in respect of cash held in trust for reinsurance agreements or with regulatory authorities, cash held under certain indemnity arrangements, client monies held by brokers and cash held in escrow.

6. Portfolio Investments

(a) Carrying Values and Estimated Fair Values of Portfolio Investments

	2025		2024	
	Carrying value	Fair value	Carrying value	Fair value
Bonds				
FVTPL - designated	\$ 159,320	\$ 159,320	\$ 151,369	\$ 151,369
FVTPL - mandatory	2,108	2,108	1,987	1,987
FVOCI	13,040	13,040	13,758	13,758
	174,468	174,468	167,114	167,114
Mortgage loans				
FVTPL - designated	26,139	26,139	28,790	28,790
FVTPL - mandatory	5,664	5,664	4,818	4,818
FVOCI	269	269	461	461
Amortized cost	4,801	4,350	4,810	4,193
	36,873	36,422	38,879	38,262
Stocks				
FVTPL - mandatory	19,370	19,370	16,896	16,896
FVOCI - designated ¹	1,033	1,033	923	923
Equity method	1,112	1,255	1,007	1,021
	21,515	21,658	18,826	18,840
Investment properties	8,293	8,293	8,257	8,257
Total	\$ 241,149	\$ 240,841	\$ 233,076	\$ 232,473

¹ Represents Franklin Templeton common shares received on the sale of Putnam Investments.

(b) Carrying Value of Bonds and Mortgages by Term to Maturity

	2025				2024			
	Term to maturity				Term to maturity			
	1 year or less	Over 1 year to 5 years	Over 5 years	Total	1 year or less	Over 1 year to 5 years	Over 5 years	Total
Bonds	\$ 27,432	\$ 54,244	\$ 92,792	\$ 174,468	\$ 24,890	\$ 49,463	\$ 92,761	\$ 167,114
Mortgage loans ¹	5,514	17,292	14,067	36,873	4,507	19,686	14,686	38,879
Total	\$ 32,946	\$ 71,536	\$ 106,859	\$ 211,341	\$ 29,397	\$ 69,149	\$ 107,447	\$ 205,993

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

(c) Equity Method Investments

A significant amount of the Company's equity method investments relate to the Company's investment, held through Canada Life, in an affiliated company, IGM Financial Inc. (IGM), a member of the Power Corporation group of companies, over which it exerts significant influence but does not control. The Company's proportionate share of IGM's earnings is recorded in net investment income in the Consolidated Statements of Earnings. The Company owned 9,200,407 shares of IGM at December 31, 2025 and December 31, 2024, representing a 3.90% ownership interest (3.89% at December 31, 2024). The Company uses the equity method to account for its investment in IGM as it exercises significant influence. Significant influence arises from several factors, including, but not limited to, the following: common control of the Company and IGM by Power Corporation, shared representation on the Boards of Directors of the Company and IGM, interchange of managerial personnel, certain shared strategic alliances, significant intercompany transactions and service agreements that influence the financial and operating policies of both companies.

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

At December 31, 2025 and December 31, 2024, IGM owned 22,136,471 common shares of the Company. IGM's financial information as at December 31, 2025 can be obtained in its publicly available information.

The Company and its subsidiaries also hold equity investments in certain related parties which the Company accounts for using equity method accounting (note 28).

	2025		
	IGM	Other Related Parties	Total
Carrying value, beginning of year	\$ 407	\$ 600	\$ 1,007
Additions	—	56	56
Equity method share of net earnings	37	18	55
Dividends received	(20)	(5)	(25)
Other	—	19	19
Carrying value, end of year	\$ 424	\$ 688	\$ 1,112
Fair value, end of year	\$ 567	\$ 688	\$ 1,255

	2024		
	IGM	Other Related Parties	Total
Carrying value, beginning of year	\$ 387	\$ 456	\$ 843
Additions	—	121	121
Equity method share of net earnings	41	26	67
Dividends received	(21)	(12)	(33)
Other	—	9	9
Carrying value, end of year	\$ 407	\$ 600	\$ 1,007
Fair value, end of year	\$ 421	\$ 600	\$ 1,021

(d) Net Investment Income

	2025					
	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Net investment income:						
Investment income earned	\$ 7,446	\$ 1,528	\$ 710	\$ 563	\$ 4	\$ 10,251
Net realized gains on derecognition of FVOCI assets	8	—	—	—	—	8
Gains on derecognition of amortized cost assets	—	12	—	—	—	12
Net ECL recovery	1	8	—	—	—	9
Other income and expenses	—	—	—	(229)	(198)	(427)
	7,455	1,548	710	334	(194)	9,853
Changes in fair value on FVTPL assets:						
FVTPL - designated	1,909	599	—	—	(974)	1,534
FVTPL - mandatory	26	76	2,430	—	—	2,532
Recorded at fair value	—	—	—	(159)	—	(159)
	1,935	675	2,430	(159)	(974)	3,907
Total	\$ 9,390	\$ 2,223	\$ 3,140	\$ 175	\$ (1,168)	\$ 13,760
	2024					
	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Net investment income:						
Investment income earned	\$ 6,960	\$ 1,509	\$ 626	\$ 507	\$ 531	\$ 10,133
Net realized losses on derecognition of FVOCI assets	(47)	—	—	—	—	(47)
Gains on derecognition of amortized cost assets	—	2	—	—	—	2
Net ECL recovery	—	7	—	—	—	7
Other income and expenses	—	—	—	(208)	(204)	(412)
	6,913	1,518	626	299	327	9,683
Changes in fair value on FVTPL assets:						
FVTPL - designated	(1,237)	641	—	—	802	206
FVTPL - mandatory	(24)	(39)	1,686	—	—	1,623
Recorded at fair value	—	—	—	(153)	—	(153)
	(1,261)	602	1,686	(153)	802	1,676
Total	\$ 5,652	\$ 2,120	\$ 2,312	\$ 146	\$ 1,129	\$ 11,359

Investment income from bonds and mortgages includes interest income, and premium and discount amortization. Investment income from stocks includes dividends and distributions from private equity funds. Investment properties income includes rental income earned on investment properties, ground rent income earned on leased and sub-leased land, fee recoveries, lease cancellation income, and interest and other investment income earned on investment properties. Other investment income and expenses includes expenses incurred by investment properties, foreign exchange gains and losses, income earned from the investments in IGM and other related parties.

(e) Net Investment Result

	2025	2024
Investment return		
Net investment income	\$ 9,853	\$ 9,683
Changes in fair value on FVTPL assets	3,907	1,676
Total investment return	13,760	11,359
Net finance income (expenses) from insurance contracts		
Changes in fair value of underlying items of direct participating contracts	(4,700)	(4,793)
Effects of risk mitigation option	240	84
Interest accreted	(3,166)	(3,810)
Effect of changes in discount rate and other financial assumptions	1,045	2,807
Effect of measuring changes in estimates at current rates and adjusting the CSM at rates on initial recognition	226	(206)
Total net finance income (expenses) from insurance contracts	(6,355)	(5,918)
Net finance income (expenses) from reinsurance contracts		
Interest accreted	6	342
Other	(332)	(352)
Total net finance income (expenses) from reinsurance contracts	(326)	(10)
Changes in investment contract liabilities	(5,002)	(2,932)
	\$ 2,077	\$ 2,499

(f) Securities Lending

The Company engages in securities lending to generate additional income. The Company's securities custodians are used as lending agents. Collateral, which exceeds the fair value of the loaned securities, is deposited by the borrower with the Company's lending agent and maintained by the lending agent until the underlying security has been returned. The fair value of the loaned securities is monitored on a daily basis by the lending agent who obtains or refunds additional collateral as the fair value of the loaned securities fluctuates. Collateral primarily consists of government bonds, investment grade corporate bonds and cash. Included in the collateral deposited with the Company's lending agent is cash collateral of \$615 at December 31, 2025 (\$219 at December 31, 2024). In addition, the securities lending agent indemnifies the Company against borrower risk, meaning that the lending agent agrees contractually to replace securities not returned due to a borrower default. As at December 31, 2025, the Company had loaned securities (which are included in invested assets) with a fair value of \$5,133 (\$4,212 at December 31, 2024).

7. Risk Management

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

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

(a) Credit Risk

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

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

- Investment and risk policies aim to minimize undue concentration within issuers, connected companies, industries or individual geographies.
- Investment and risk limits specify minimum and maximum limits for each asset class.
- Identification of credit risk through an internal credit risk rating system which includes a detailed assessment of an obligor's creditworthiness. Internal credit risk ratings cannot be higher than the highest rating provided by certain independent ratings companies.
- Portfolios are monitored continuously, and reviewed regularly with the Risk Committee and the Investment Committee of the Board of Directors.

- Credit risk associated with derivative instruments is evaluated quarterly based on conditions that existed at the balance sheet date, using practices that are at least as conservative as those recommended by regulators. The Company manages derivative credit risk by including derivative exposure to aggregate credit exposures measured against rating based obligor limits and through collateral arrangements where possible.
- Counterparties providing reinsurance to the Company are reviewed for financial soundness as part of an ongoing monitoring process. The minimum financial strength of reinsurers is outlined in the Reinsurance Risk Management Policy. The Company seeks to minimize reinsurance credit risk by setting rating based limits on net ceded exposure by counterparty as well as seeking protection in the form of collateral or funds withheld arrangements where possible.
- Investment guidelines also specify collateral requirements.

(i) Maximum Exposure to Credit Risk

The following summarizes the Company's maximum exposure to credit risk related to financial instruments as well as insurance and reinsurance contracts.

	2025	2024
Financial instruments		
Cash and cash equivalents	\$ 8,902	\$ 10,709
Bonds	174,468	167,114
Mortgage loans	36,873	38,879
Interest due and accrued	1,885	1,778
Accounts receivable	4,144	3,624
Funds held under investment contracts	6,229	6,895
Trading account assets	3,995	3,701
Finance leases receivable	1,043	926
Other assets ¹	2,117	1,979
Derivative assets	1,863	2,431
	241,519	238,036
Insurance and reinsurance contracts		
Reinsurance contract held assets ²	16,850	17,842
Insurance contract assets	1,571	1,193
Funds held by ceding insurers ³	3,489	3,640
	21,910	22,675
Total	\$ 263,429	\$ 260,711

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

² Includes funds withheld on reinsurance contracts issued.

³ Included in insurance contract liabilities (note 14).

Credit risk is also mitigated by entering into collateral agreements. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and the valuation parameters. Collateral primarily consists of government bonds, investment grade corporate bonds and cash. Management monitors the value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable. The Company has \$1,401 of collateral received from counterparties as at December 31, 2025 (\$1,732 at December 31, 2024) relating to derivative assets.

(ii) Concentration of Credit Risk

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

Notes to the Consolidated Financial Statements

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

	2025				
	United States	Canada	Europe	Capital and Risk Solutions	Total
Bonds issued or guaranteed by:					
Treasuries	\$ 4,788	\$ 2,275	\$ 7,592	\$ 3,040	\$ 17,695
Government related	2,748	16,787	8,118	1,186	28,839
Agency securitized	1,859	—	—	12	1,871
Non-agency securitized	10,909	3,973	886	266	16,034
Financials	12,578	5,605	5,887	954	25,024
Communications	1,927	1,370	949	227	4,473
Consumer products	10,696	4,955	2,039	1,274	18,964
Energy	4,085	3,049	800	361	8,295
Industrials	8,440	2,985	1,157	471	13,053
Technology	3,827	1,345	419	375	5,966
Transportation	1,919	4,816	1,153	284	8,172
Utilities	6,980	12,923	4,840	1,339	26,082
Total	\$ 70,756	\$ 60,083	\$ 33,840	\$ 9,789	\$ 174,468

	2024				
	United States	Canada	Europe	Capital and Risk Solutions	Total
Bonds issued or guaranteed by:					
Treasuries	\$ 1,361	\$ 3,304	\$ 7,274	\$ 4,220	\$ 16,159
Government related	2,605	17,286	7,444	694	28,029
Agency securitized	1,055	186	—	13	1,254
Non-agency securitized	12,395	3,453	800	163	16,811
Financials	12,556	4,726	5,651	1,124	24,057
Communications	1,741	1,194	856	211	4,002
Consumer products	10,172	5,086	2,084	1,061	18,403
Energy	3,363	2,809	502	370	7,044
Industrials	7,927	2,878	1,178	469	12,452
Technology	3,568	1,329	409	322	5,628
Transportation	2,021	4,426	853	198	7,498
Utilities	7,468	12,559	4,660	1,090	25,777
Total	\$ 66,232	\$ 59,236	\$ 31,711	\$ 9,935	\$ 167,114

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

	2025				
	United States	Canada	Europe	Capital and Risk Solutions	Total
Single family residential	\$ —	\$ 765	\$ —	\$ —	\$ 765
Multi-family residential	3,383	4,985	932	33	9,333
Equity release	—	2,058	2,888	718	5,664
Commercial	7,837	9,084	4,103	87	21,111
Total	\$ 11,220	\$ 16,892	\$ 7,923	\$ 838	\$ 36,873

Notes to the Consolidated Financial Statements

	2024				
	United States	Canada	Europe	Capital and Risk Solutions	Total
Single family residential	\$ —	\$ 1,225	\$ —	\$ —	\$ 1,225
Multi-family residential	4,065	4,523	946	34	9,568
Equity release	—	1,949	2,279	590	4,818
Commercial	9,754	9,228	4,133	153	23,268
Total	\$ 13,819	\$ 16,925	\$ 7,358	\$ 777	\$ 38,879

(iii) Expected Credit Losses

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

	2025				
	Performing		Impaired		Total
	Stage 1	Stage 2	Stage 3		
Bonds at FVOCI					
Balance, beginning of year	\$ 4	\$ —	\$ —	\$ —	\$ 4
Provision for credit losses					
Originations	—	—	—	—	—
Maturities	(1)	—	—	—	(1)
Net re-measurement of loss allowance	—	—	—	—	—
Balance, end of year	\$ 3	\$ —	\$ —	\$ —	\$ 3
Mortgages at amortized cost					
Balance, beginning of year	\$ 1	\$ 20	\$ 7	\$ —	\$ 28
Provision for credit losses					
Transfers to stage 2	1	(1)	—	—	—
Maturities	—	—	(2)	—	(2)
Net re-measurement of loss allowance	(1)	(3)	(1)	—	(5)
Exchange rate and other	—	—	1	—	1
Balance, end of year	\$ 1	\$ 16	\$ 5	\$ —	\$ 22
Mortgages at FVOCI					
Balance, beginning of year	\$ —	\$ 1	\$ —	\$ —	\$ 1
Provision for credit losses					
Net re-measurement of loss allowance	—	(1)	—	—	(1)
Balance, end of year	\$ —	\$ —	\$ —	\$ —	\$ —
Total allowance for credit losses, end of year	\$ 4	\$ 16	\$ 5	\$ —	\$ 25

Notes to the Consolidated Financial Statements

	2024				
	Performing		Impaired		Total
	Stage 1	Stage 2	Stage 3		
Bonds at FVOCI					
Balance, beginning of year	\$ 3	\$ —	\$ —	\$ —	3
Provision for credit losses					
Originations	1	—	—	—	1
Maturities	(1)	—	—	—	(1)
Net re-measurement of loss allowance	1	—	—	—	1
Balance, end of year	\$ 4	\$ —	\$ —	\$ —	4
Mortgages at amortized cost					
Balance, beginning of year	\$ 1	\$ 29	\$ 4	\$ —	34
Provision for credit losses					
Transfers to stage 1	3	(3)	—	—	—
Net re-measurement of loss allowance	(3)	(7)	3	—	(7)
Exchange rate and other	—	1	—	—	1
Balance, end of year	\$ 1	\$ 20	\$ 7	\$ —	28
Mortgages at FVOCI					
Balance, beginning of year	\$ —	\$ —	\$ —	\$ —	—
Provision for credit losses					
Net re-measurement of loss allowance	—	1	—	—	1
Balance, end of year	\$ —	\$ 1	\$ —	\$ —	1
Total allowance for credit losses, end of year	\$ 5	\$ 21	\$ 7	\$ —	33

(iv) Credit Risk Exposure by Internal Risk Rating

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

	2025				
	Performing		Impaired		Total
	Stage 1	Stage 2	Stage 3		
Bonds at FVOCI					
Investment grade	\$ 12,959	\$ —	\$ —	\$ —	12,959
Non-investment grade	71	10	—	—	81
Impaired	—	—	—	—	—
Total	\$ 13,030	\$ 10	\$ —	\$ —	13,040
Mortgage loans at FVOCI					
Investment grade	\$ 263	\$ —	\$ —	\$ —	263
Non-investment grade	—	6	—	—	6
Impaired	—	—	—	—	—
Total	\$ 263	\$ 6	\$ —	\$ —	269
Mortgages at amortized cost					
Investment grade	\$ 4,601	\$ —	\$ —	\$ —	4,601
Non-investment grade	—	212	—	—	212
Impaired	—	—	10	—	10
	4,601	212	10	—	4,823
Allowance for credit losses	(1)	(16)	(5)	—	(22)
Total	\$ 4,600	\$ 196	\$ 5	\$ —	4,801

Notes to the Consolidated Financial Statements

	2024				
	Performing		Impaired		Total
	Stage 1	Stage 2	Stage 3		
Bonds at FVOCI					
Investment grade	\$ 13,669	\$ —	\$ —	\$ —	13,669
Non-investment grade	75	14	—	—	89
Impaired	—	—	—	—	—
Total	\$ 13,744	\$ 14	\$ —	\$ —	13,758
Mortgage loans at FVOCI					
Investment grade	\$ 446	\$ —	\$ —	\$ —	446
Non-investment grade	—	15	—	—	15
Impaired	—	—	—	—	—
Total	\$ 446	\$ 15	\$ —	\$ —	461
Mortgages at amortized cost					
Investment grade	\$ 4,562	\$ —	\$ —	\$ —	4,562
Non-investment grade	—	266	—	—	266
Impaired	—	—	10	—	10
	4,562	266	10	—	4,838
Allowance for credit losses	(1)	(20)	(7)	—	(28)
Total	\$ 4,561	\$ 246	\$ 3	\$ —	4,810

(v) Credit Impact on Financial Assets and Liabilities Designated as FVTPL

The carrying value of the Company's financial assets and liabilities designated as FVTPL represents the maximum exposure to credit risk for those financial instruments. The change in fair value attributable to the change in credit risk of these financial instruments is generally insignificant in the absence of significant credit events occurring on specific financial instruments. Fair value losses of \$153 in the year ended 2025 (\$67 in 2024) is reflected in changes in the Consolidated Statements of Earnings related to significant credit events occurring on financial instruments designated as FVTPL.

(vi) Asset Quality

Bond Portfolio by Credit Rating

	2025	2024
Based on internal ratings:		
AAA	\$ 26,599	\$ 24,462
AA	32,162	32,310
A	63,342	60,041
BBB	49,476	47,936
BB and lower	2,889	2,365
Total	\$ 174,468	\$ 167,114

Derivative Portfolio by Credit Rating

	2025	2024
Over-the-counter contracts (counterparty ratings):		
AA	\$ 1,216	\$ 1,687
A	645	743
Exchange-traded	2	1
Total	\$ 1,863	\$ 2,431

Reinsurance Contract Held Assets by Credit Rating

	2025	2024
Based on Rating Agency ratings:		
AA- to AA+	\$ 15,343	\$ 16,409
A- to A+	1,474	1,424
BBB+ and lower	—	8
Not rated	33	1
Total reinsurance contract held assets	\$ 16,850	\$ 17,842
Total reinsurance contract held assets less collateral	\$ 4,143	\$ 4,177

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

As at December 31, 2025, \$11,710 of the \$16,850 of reinsurance contract held assets are ceded to Protective Life Insurance Company (\$12,633 of \$17,842 at December 31, 2024). This concentration risk is mitigated by funds held in trust and other arrangements of \$12,882 as at December 31, 2025 (\$13,774 at December 31, 2024).

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

At December 31, 2025, the Company had amounts on deposit of \$6,229 (\$6,895 at December 31, 2024) for funds held under investment contracts. This amount has been included in other assets on the Consolidated Balance Sheets. At December 31, 2025 the Company had amounts on deposit of \$3,489 (\$3,640 at December 31, 2024) for funds held by ceding insurers. This amount has been included in insurance contract liabilities on the Consolidated Balance Sheets. Included in these amounts are assets of \$153 at December 31, 2025 (\$98 at December 31, 2024) where the Company does not retain the credit risk. Income and expenses arising from the underlying assets are included in net investment result in the Consolidated Statements of Earnings.

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

(i) Carrying Values and Estimated Fair Values

	2025		2024	
	Carrying value	Fair value	Carrying value	Fair value
Cash and cash equivalents	\$ 117	\$ 117	\$ 206	\$ 206
Bonds	8,980	8,980	9,689	9,689
Mortgages	344	344	384	384
Other assets	124	124	158	158
Total	\$ 9,565	\$ 9,565	\$ 10,437	\$ 10,437
Supporting:				
Insurance contract liabilities	\$ 3,336	\$ 3,336	\$ 3,542	\$ 3,542
Investment contract liabilities	6,229	6,229	6,895	6,895
Total	\$ 9,565	\$ 9,565	\$ 10,437	\$ 10,437

(ii) Carrying Value of Bonds Included in the Funds on Deposit by Issuer and Industry Sector

	2025	2024
Bonds issued or guaranteed by:		
Treasuries	\$ 188	\$ 265
Government related	973	1,080
Agency securitized	81	94
Non-agency securitized	978	1,063
Financials	1,566	1,670
Communications	266	291
Consumer products	1,474	1,525
Energy	439	504
Industrials	836	927
Technology	321	349
Transportation	300	306
Utilities	1,558	1,615
Total	\$ 8,980	\$ 9,689

(iii) Carrying Value of Mortgages Included in the Funds on Deposit by Property Type

	2025	2024
Multi-family residential	\$ 80	\$ 81
Commercial	264	303
Total	\$ 344	\$ 384

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

	2025	2024
AAA	\$ 574	\$ 794
AA	2,213	2,332
A	3,786	4,002
BBB	2,344	2,501
BB and lower	63	60
Total	\$ 8,980	\$ 9,689

(b) Liquidity Risk

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

- The Company attempts to mitigate liquidity risk through product design and maintaining a high quality, diversified investment portfolio with a spread of asset maturities by year. Approximately 67% (67% in 2024) of our insurance and investment contract liabilities (measured based on carrying value and excluding liabilities held on account of segregated fund holders) are subject to discretionary withdrawal.
- Management closely monitors the solvency and capital positions of its principal subsidiaries opposite liquidity requirements at the holding company. Additional liquidity is available through established lines of credit or via capital market transactions. At December 31, 2025, the Company maintains \$950 (\$950 at December 31, 2024) of liquidity at the Lifeco level through committed lines of credit with Canadian chartered banks. As well, the Company maintains a U.S. \$1,000 revolving credit agreement with a syndicate of banks, and a U.S. \$50 line of credit at Empower (U.S. \$1,000 and U.S. \$50 at December 31, 2024, respectively). Empower also has borrowing capacity of approximately U.S. \$992 under the Federal Home Loan Bank program.

(i) Payments Due by Period

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

	2025						
	1 year or less	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
Debentures and other debt instruments	\$ 805	\$ 548	\$ 1,011	\$ 857	\$ 600	\$ 4,595	\$ 8,416
Capital trust securities ¹	—	—	—	—	—	150	150
Purchase obligations	210	115	65	35	24	13	462
Pension contributions	264	—	—	—	—	—	264
Total	\$ 1,279	\$ 663	\$ 1,076	\$ 892	\$ 624	\$ 4,758	\$ 9,292

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

	2024						
	1 year or less	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
Debentures and other debt instruments	\$ 720	\$ 745	\$ 576	\$ 1,032	\$ 800	\$ 5,356	\$ 9,229
Capital trust securities ¹	—	—	—	—	—	150	150
Purchase obligations	203	146	75	42	22	29	517
Pension contributions	221	—	—	—	—	—	221
Total	\$ 1,144	\$ 891	\$ 651	\$ 1,074	\$ 822	\$ 5,535	\$ 10,117

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

(c) Market Risk

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

Caution Related to Risk Sensitivities

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

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

(i) Currency Risk

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

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

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

(ii) Interest Rate Risk

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

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

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

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

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

Change in Market Yield Curves

	2025		2024	
	Increase 50 basis points interest rates	Decrease 50 basis points interest rates	Increase 50 basis points interest rates	Decrease 50 basis points interest rates
Shareholders' net earnings	\$ 25	\$ (50)	\$ 125	\$ (150)
Shareholders' equity	—	(25)	75	(125)

The sensitivities above reflect the immediate impacts on shareholders' net earnings and shareholders' equity from market movements.

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, United States and the United Kingdom, 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, 2025 and December 31, 2024, 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 \$10 or a decrease of \$10 post-tax, respectively, when rounded to the nearest \$10.

The impact to shareholders' net earnings and equity from an immediate 50 basis point increase or decrease in credit spreads is illustrated in the table below, rounded to the nearest \$25, with no change to the ultimate liquidity premium:

Change in Credit Spreads

	2025		2024	
	Increase 50 basis points credit spreads	Decrease 50 basis points credit spreads	Increase 50 basis points credit spreads	Decrease 50 basis points credit spreads
Shareholders' net earnings	\$ 150	\$ (200)	\$ 250	\$ (300)
Shareholders' equity	225	(300)	325	(400)

The sensitivities above reflect the immediate impacts on shareholders' net earnings and shareholders' equity from market movements.

Actual impacts of credit spread changes will vary depending on the geographies where the changes occur, and the changes in credit spreads by term. A change in credit spreads may also lead to a change in the allowance for credit risk within the discount rate, depending on prevailing market and credit conditions at the time; any potential earnings impacts that may arise from such a change are not reflected in the sensitivities above.

(iii) Equity Risk

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

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

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

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

Change in Publicly Traded Common Stock Values

	2025				2024			
	20% increase	10% increase	10% decrease	20% decrease	20% increase	10% increase	10% decrease	20% decrease
Shareholders' net earnings	\$ 75	\$ 50	\$ (50)	\$ (75)	\$ 100	\$ 50	\$ (50)	\$ (100)
Shareholders' equity	500	250	(250)	(525)	525	250	(250)	(525)

The sensitivities above reflect the immediate impacts on shareholders' net earnings and shareholders' equity from market movements.

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

Change in Other Non-Fixed Income Asset Values ¹

	2025				2024			
	10% increase	5% increase	5% decrease	10% decrease	10% increase	5% increase	5% decrease	10% decrease
Shareholders' net earnings	\$ 550	\$ 275	\$ (300)	\$ (600)	\$ 425	\$ 225	\$ (225)	\$ (450)
Shareholders' equity	600	300	(325)	(650)	475	250	(250)	(500)

¹ Sensitivities to other non-fixed income asset values as at December 31, 2025 reflect a refinement in methodology, not a change to the underlying exposure to other non-fixed income assets. Prior to the refinement, the +10%/+5%/-5%/-10% sensitivities were +\$425/+\$200/-\$225/-\$475 for shareholders' net earnings, and +\$475/+\$225/-\$250/-\$525 for shareholders' equity, respectively.

The sensitivities above reflect the immediate impacts on shareholders' net earnings and shareholders' equity from market movements.

(d) Enforceable Master Netting Arrangements or Similar Agreements

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

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

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

	2025			
	Gross amount of financial instruments presented in the Consolidated Balance Sheets	Related amounts not set-off in the Consolidated Balance Sheets		
Offsetting counterparty position ¹		Financial collateral received / pledged ²		
Financial instruments - assets				
Derivative financial instruments	\$ 1,863	\$ (1,236)	\$ (459)	\$ 168
Total financial instruments - assets	\$ 1,863	\$ (1,236)	\$ (459)	\$ 168
Financial instruments - liabilities				
Derivative financial instruments	\$ 2,412	\$ (1,236)	\$ (669)	\$ 507
Total financial instruments - liabilities	\$ 2,412	\$ (1,236)	\$ (669)	\$ 507

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

² Financial collateral presented above excludes overcollateralization and, for exchange-traded derivatives, initial margin. At December 31, 2025, total financial collateral, including initial margin and overcollateralization, received on derivative assets was \$1,401, and pledged on derivative liabilities was \$2,501.

	2024			
	Gross amount of financial instruments presented in the Consolidated Balance Sheets	Related amounts not set-off in the Consolidated Balance Sheets		
		Offsetting counterparty position ¹	Financial collateral received / pledged ²	Net exposure
Financial instruments - assets				
Derivative financial instruments	\$ 2,431	\$ (1,117)	\$ (1,130)	\$ 184
Total financial instruments - assets	<u>\$ 2,431</u>	<u>\$ (1,117)</u>	<u>\$ (1,130)</u>	<u>\$ 184</u>
Financial instruments - liabilities				
Derivative financial instruments	\$ 2,137	\$ (1,117)	\$ (628)	\$ 392
Total financial instruments - liabilities	<u>\$ 2,137</u>	<u>\$ (1,117)</u>	<u>\$ (628)</u>	<u>\$ 392</u>

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

² Financial collateral presented above excludes overcollateralization and, for exchange-traded derivatives, initial margin. At December 31, 2024, total financial collateral, including initial margin and overcollateralization, received on derivative assets was \$1,732, and pledged on derivative liabilities was \$2,068.

8. Fair Value Measurement

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

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

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, government and agency securities, restricted stock, some private bonds and investment funds, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans. Investment contracts that are measured at FVTPL are mostly included in the Level 2 category. Notes issued by consolidated Collateralized Loan Obligations (CLOs) are measured at FVTPL and included in Level 2.

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

Notes to the Consolidated Financial Statements

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

Assets measured at fair value	2025				2024			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 8,902	\$ —	\$ —	\$ 8,902	\$ 10,709	\$ —	\$ —	\$ 10,709
Financial assets at FVTPL								
Bonds	—	161,130	298	161,428	—	153,178	178	153,356
Mortgage loans	—	26,139	5,664	31,803	—	28,790	4,818	33,608
Stocks	12,559	183	6,628	19,370	11,055	260	5,581	16,896
Total financial assets at FVTPL	12,559	187,452	12,590	212,601	11,055	182,228	10,577	203,860
Financial assets at FVOCI								
Bonds	—	13,040	—	13,040	—	13,758	—	13,758
Mortgage loans	—	269	—	269	—	461	—	461
Stocks	1,033	—	—	1,033	923	—	—	923
Total financial assets at FVOCI	1,033	13,309	—	14,342	923	14,219	—	15,142
Investment properties	—	—	8,293	8,293	—	—	8,257	8,257
Derivatives ¹	2	1,861	—	1,863	1	2,430	—	2,431
Other assets:								
Trading account assets	244	3,751	—	3,995	252	3,449	—	3,701
Other ²	—	615	—	615	—	219	—	219
Total assets measured at fair value	\$ 22,740	\$ 206,988	\$ 20,883	\$ 250,611	\$ 22,940	\$ 202,545	\$ 18,834	\$ 244,319
Liabilities measured at fair value								
Mortgage on investment property	\$ —	\$ 51	\$ —	\$ 51	\$ —	\$ 54	\$ —	\$ 54
Derivatives ³	3	2,409	—	2,412	—	2,137	—	2,137
Investment contract liabilities	—	89,042	—	89,042	—	90,157	—	90,157
Collateralized loan obligation liabilities	—	3,904	—	3,904	—	3,791	—	3,791
Other liabilities ²	—	615	—	615	—	219	—	219
Total liabilities measured at fair value	\$ 3	\$ 96,021	\$ —	\$ 96,024	\$ —	\$ 96,358	\$ —	\$ 96,358

¹ Excludes collateral received from counterparties of \$523 at December 31, 2025 (\$1,199 at December 31, 2024).

² Includes collateral received under securities lending arrangements.

³ Excludes collateral pledged to counterparties of \$1,551 at December 31, 2025 (\$1,337 at December 31, 2024).

There were no transfers of the Company's assets and liabilities between Level 1 and Level 2 during the years ended December 31, 2025 and December 31, 2024.

Notes to the Consolidated Financial Statements

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

	2025					
	FVTPL bonds	FVTPL mortgage loans	FVTPL stocks ³	Investment properties	Assets held for sale	Total Level 3 assets
Balance, beginning of year	\$ 178	\$ 4,818	\$ 5,581	\$ 8,257	\$ —	\$ 18,834
Total gains (losses)						
Included in net earnings	(6)	274	361	(159)	—	470
Included in other comprehensive income ¹	3	84	(103)	(42)	—	(58)
Purchases	50	—	1,216	650	—	1,916
Issues	—	739	—	—	—	739
Sales	(5)	—	(427)	(439)	—	(871)
Settlements	—	(251)	—	—	—	(251)
Transferred from owner occupied properties	—	—	—	26	—	26
Transfers into Level 3 ²	78	—	—	—	—	78
Transfers out of Level 3 ²	—	—	—	—	—	—
Balance, end of year	\$ 298	\$ 5,664	\$ 6,628	\$ 8,293	\$ —	\$ 20,883
Total gains (losses) for the year included in net investment result	\$ (6)	\$ 274	\$ 361	\$ (159)	\$ —	\$ 470
Change in unrealized gains (losses) for the year included in net earnings for assets held at December 31, 2025	\$ (6)	\$ 262	\$ 294	\$ (159)	\$ —	\$ 391
	2024					
	FVTPL bonds	FVTPL mortgage loans	FVTPL stocks ³	Investment properties	Assets held for sale	Total Level 3 assets
Balance, beginning of year	\$ 252	\$ 4,203	\$ 3,809	\$ 7,870	\$ 907	\$ 17,041
Total gains (losses)						
Included in net earnings	7	200	556	(153)	—	610
Included in other comprehensive income ¹	—	153	107	265	—	525
Purchases	29	—	1,407	618	—	2,054
Sale of discontinued operations	—	—	—	—	(907)	(907)
Issues	—	481	—	—	—	481
Sales	(27)	—	(299)	(334)	—	(660)
Settlements	—	(219)	—	—	—	(219)
Transferred to owner occupied properties	—	—	—	(9)	—	(9)
Transfers into Level 3 ²	—	—	1	—	—	1
Transfers out of Level 3 ²	(83)	—	—	—	—	(83)
Balance, end of year	\$ 178	\$ 4,818	\$ 5,581	\$ 8,257	\$ —	\$ 18,834
Total gains (losses) for the year included in net investment result	\$ 7	\$ 200	\$ 556	\$ (153)	\$ —	\$ 610
Change in unrealized gains (losses) for the year included in net earnings for assets held at December 31, 2024	\$ 7	\$ 191	\$ 556	\$ (165)	\$ —	\$ 589

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

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

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

Notes to the Consolidated Financial Statements

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

Type of asset	Valuation approach	Significant unobservable input	Input value	Inter-relationship between key unobservable inputs and fair value measurement
Investment properties	Investment property valuations are generally determined using property valuation models based on expected capitalization rates and models that discount expected future net cash flows. The determination of the fair value of investment property requires the use of estimates such as future cash flows (such as future leasing assumptions, rental rates, capital and operating expenditures) and discount, reversionary and overall capitalization rates applicable to the asset based on current market rates.	Discount rate	Range of 4.5% - 13.1%	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value.
		Reversionary rate	Range of 4.3% - 8.0%	A decrease in the reversionary rate would result in an increase in fair value. An increase in the reversionary rate would result in a decrease in fair value.
		Vacancy rate	Weighted average of 8.5%	A decrease in the expected vacancy rate would generally result in an increase in fair value. An increase in the expected vacancy rate would generally result in a decrease in fair value.
Mortgage loans - equity release mortgages (FVTPL)	The valuation approach for equity release mortgages is to use an internal valuation model to determine the projected asset cash flows, including the cost of the no negative equity guarantee for each individual loan, to aggregate these across all loans and to discount those cash flows back to the valuation date. The projection is done monthly until expected redemption of the loan either voluntarily or on the death/entering into long term care of the loanholders.	Discount rate	Range of 4.7% - 6.4%	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value.

Stocks categorized as level 3 in the fair value hierarchy relate to limited partnership investments. The significant unobservable input used in the valuation of these investments is the Company's invested portion of the net asset value provided by management of the limited partnerships.

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

	2025				Total
	Level 1	Level 2	Level 3	Other assets/ liabilities not held at fair value	
Assets disclosed at fair value					
Financial assets at amortized cost					
Mortgage loans	\$ —	\$ 4,350	\$ —	\$ —	\$ 4,350
Total financial assets at amortized cost	—	4,350	—	—	4,350
Other stocks ¹	567	—	—	688	1,255
Total assets disclosed at fair value	\$ 567	\$ 4,350	\$ —	\$ 688	\$ 5,605
Liabilities and equity disclosed at fair value					
Debentures and other debt instruments	\$ 273	\$ 7,874	\$ —	\$ —	\$ 8,147
Limited recourse capital notes	—	1,419	—	—	1,419
Total liabilities and equity disclosed at fair value	\$ 273	\$ 9,293	\$ —	\$ —	\$ 9,566

¹ Other stocks include the Company's investment in IGM and other related parties.

Notes to the Consolidated Financial Statements

	2024				Total
	Level 1	Level 2	Level 3	Other assets/ liabilities not held at fair value	
Assets disclosed at fair value					
Financial assets at amortized cost					
Mortgage loans	\$ —	\$ 4,193	\$ —	\$ —	\$ 4,193
Total financial assets at amortized cost	—	4,193	—	—	4,193
Other stocks ¹	421	—	—	600	1,021
Total assets disclosed at fair value	\$ 421	\$ 4,193	\$ —	\$ 600	\$ 5,214
Liabilities and equity disclosed at fair value					
Debtures and other debt instruments					
Limited recourse capital notes	\$ —	\$ 1,346	\$ —	\$ —	\$ 1,346
Total liabilities and equity disclosed at fair value	\$ 144	\$ 9,852	\$ —	\$ —	\$ 9,996

¹ Other stocks include the Company's investment in IGM and other related parties.

9. Goodwill and Intangible Assets

(a) Goodwill

(i) Carrying Value and Changes in the Carrying Value of Goodwill

	2025	2024
Cost		
Balance, beginning of year	\$ 11,468	\$ 11,284
Business acquisitions	17	75
Purchase price allocation adjustments	—	36
Disposals	(5)	(4)
Allocated to intangible assets	—	(299)
Changes in foreign exchange rates	(162)	376
Balance, end of year	\$ 11,318	\$ 11,468
Accumulated impairment		
Balance, beginning of year	\$ (40)	\$ (35)
Disposals	5	2
Impairment	—	(7)
Balance, end of year	\$ (35)	\$ (40)
Net carrying amount	\$ 11,283	\$ 11,428

(ii) Carrying Value of Goodwill Assigned to Cash Generating Unit Groupings

	2025	2024
United States	\$ 4,353	\$ 4,575
Canada ¹	4,475	4,460
Europe	2,455	2,393
Total	\$ 11,283	\$ 11,428

¹ Considering recent business transformation activities, the Company reassessed its cash generating unit groupings in the Canada segment and has grouped Individual Customer and Group Customer into Canada to reflect the current lowest level at which goodwill is monitored for internal management purposes.

(b) Intangible Assets

Intangible assets of \$4,912 (\$4,958 as at December 31, 2024) include indefinite life and finite life intangible assets. The carrying value and changes in the carrying value of these intangible assets are as follows:

(i) Indefinite Life Intangible Assets

	2025				2024			
	Brands and trademarks	Customer contract related	Shareholders' portion of acquired future participating account profit	Total	Brands and trademarks	Customer contract related	Shareholders' portion of acquired future participating account profit	Total
Cost								
Balance, beginning of year	\$ 575	\$ 545	\$ 354	\$ 1,474	\$ 562	\$ 410	\$ 354	\$ 1,326
Additions	—	—	—	—	—	135	—	135
Changes in foreign exchange rates	14	2	—	16	13	—	—	13
Balance, end of year	<u>\$ 589</u>	<u>\$ 547</u>	<u>\$ 354</u>	<u>\$ 1,490</u>	<u>\$ 575</u>	<u>\$ 545</u>	<u>\$ 354</u>	<u>\$ 1,474</u>
Accumulated impairment								
Balance, beginning of year	\$ (60)	\$ —	\$ —	\$ (60)	\$ (57)	\$ —	\$ —	\$ (57)
Changes in foreign exchange rates	(1)	—	—	(1)	(3)	—	—	(3)
Balance, end of year	<u>\$ (61)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (61)</u>	<u>\$ (60)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (60)</u>
Net carrying amount	<u>\$ 528</u>	<u>\$ 547</u>	<u>\$ 354</u>	<u>\$ 1,429</u>	<u>\$ 515</u>	<u>\$ 545</u>	<u>\$ 354</u>	<u>\$ 1,414</u>

(ii) Carrying Value of Indefinite Life Intangible Assets Assigned to Cash Generating Unit Groupings

	2025	2024
United States	\$ 19	\$ 20
Canada	1,138	1,138
Europe	272	256
Total	<u>\$ 1,429</u>	<u>\$ 1,414</u>

(iii) Finite Life Intangible Assets

	2025				Total
	Customer contract related	Distribution channels	Brands and trademarks	Technology and software	
Amortization period range	7 - 30 years	30 years	10 years	3 - 20 years	
Amortization method	Straight-line	Straight-line	Straight-line	Straight-line	
Cost					
Balance, beginning of year	\$ 3,532	\$ 111	\$ 101	\$ 2,979	\$ 6,723
Additions	48	—	—	437	485
Changes in foreign exchange rates	(94)	4	(5)	(10)	(105)
Disposals	(10)	—	—	(86)	(96)
Balance, end of year	<u>\$ 3,476</u>	<u>\$ 115</u>	<u>\$ 96</u>	<u>\$ 3,320</u>	<u>\$ 7,007</u>
Accumulated amortization and impairment					
Balance, beginning of year	\$ (1,371)	\$ (79)	\$ (18)	\$ (1,711)	\$ (3,179)
Changes in foreign exchange rates	26	(3)	2	5	30
Disposals	2	—	—	64	66
Amortization	(173)	(4)	(10)	(254)	(441)
Balance, end of year	<u>\$ (1,516)</u>	<u>\$ (86)</u>	<u>\$ (26)</u>	<u>\$ (1,896)</u>	<u>\$ (3,524)</u>
Net carrying amount	<u>\$ 1,960</u>	<u>\$ 29</u>	<u>\$ 70</u>	<u>\$ 1,424</u>	<u>\$ 3,483</u>

Notes to the Consolidated Financial Statements

	2024				
	Customer contract related	Distribution channels	Brands and trademarks	Technology and software	Total
Amortization period range	7 - 30 years	30 years	10 years	3 - 10 years	
Amortization method	Straight-line	Straight-line	Straight-line	Straight-line	
Cost					
Balance, beginning of year	\$ 3,132	\$ 107	\$ 93	\$ 2,557	\$ 5,889
Additions	214	—	—	360	574
Changes in foreign exchange rates	191	4	8	84	287
Disposals	(5)	—	—	(22)	(27)
Balance, end of year	<u>\$ 3,532</u>	<u>\$ 111</u>	<u>\$ 101</u>	<u>\$ 2,979</u>	<u>\$ 6,723</u>
Accumulated amortization and impairment					
Balance, beginning of year	\$ (1,135)	\$ (73)	\$ (7)	\$ (1,459)	\$ (2,674)
Changes in foreign exchange rates	(64)	(2)	(1)	(48)	(115)
Impairment	(2)	—	—	—	(2)
Disposals	5	—	—	22	27
Amortization	(175)	(4)	(10)	(226)	(415)
Balance, end of year	<u>\$ (1,371)</u>	<u>\$ (79)</u>	<u>\$ (18)</u>	<u>\$ (1,711)</u>	<u>\$ (3,179)</u>
Net carrying amount	<u>\$ 2,161</u>	<u>\$ 32</u>	<u>\$ 83</u>	<u>\$ 1,268</u>	<u>\$ 3,544</u>

The weighted average remaining amortization period of the customer contract related, distribution channels and brands and trademarks are 13, 8 and 7 years respectively (14, 9 and 8 years respectively at December 31, 2024).

(c) Recoverable Amount

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

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

In the fourth quarter of 2025, the Company conducted its annual impairment testing of intangible assets and goodwill based on September 30, 2025 asset balances. It was determined that the recoverable amounts of cash generating units for intangible assets and cash generating unit groupings for goodwill were in excess of their carrying values and there was no evidence of impairment.

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

10. Owner Occupied Properties and Fixed Assets

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

	2025	2024
Carrying value, beginning of year	\$ 1,011	\$ 932
Less: accumulated depreciation/impairments	(222)	(201)
Net carrying value, beginning of year	789	731
Additions	107	52
Impairment	(29)	(3)
Transferred to investment properties	(26)	9
Depreciation	(17)	(18)
Foreign exchange	5	18
Net carrying value, end of year	\$ 829	\$ 789

The net carrying value of fixed assets is \$395 at December 31, 2025 (\$346 at December 31, 2024).

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

	2025	2024
United States	\$ 262	\$ 269
Canada	537	572
Europe	424	293
Capital and Risk Solutions	1	1
Total	\$ 1,224	\$ 1,135

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

11. Other Assets

	2025	2024
Deferred acquisition costs	\$ 1,208	\$ 1,065
Right-of-use assets	274	311
Trading account assets ¹	3,995	3,701
Finance leases receivable	1,043	926
Defined benefit pension plan assets (note 26)	589	493
Prepaid expenses	136	167
Funds held under investment contracts	6,229	6,895
Miscellaneous other assets	1,716	1,707
Total	\$ 15,190	\$ 15,265

¹ Includes bonds of \$3,751 and stocks of \$244 at December 31, 2025 (bonds of \$3,449 and stocks of \$252 at December 31, 2024).

Total other assets of \$5,902 (\$5,624 at December 31, 2024) are expected to be derecognized within 12 months from the reporting date. This amount excludes deferred acquisition costs, the changes in which are noted below.

Deferred Acquisition Costs

	2025	2024
Balance, beginning of year	\$ 1,065	\$ 913
Additions	302	247
Amortization	(140)	(123)
Changes in foreign exchange rates	5	54
Disposals	(24)	(26)
Balance, end of year	\$ 1,208	\$ 1,065

12. Insurance Revenue

	2025	2024
Contracts not measured under the premium allocation approach (PAA)		
Amounts relating to changes in liabilities for remaining coverage		
Experience adjustments	\$ (100)	\$ (61)
CSM recognized for services provided	1,357	1,262
Change in risk adjustment for non-financial risk for risk expired	624	624
Expected incurred claims and other insurance service expenses	9,927	9,527
Recovery of insurance acquisition cash flows	658	588
	12,466	11,940
Contracts measured under the PAA	9,855	9,274
Total insurance revenue	\$ 22,321	\$ 21,214

13. Insurance Service and Other Operating Expenses

	2025	2024 ¹
Claims and benefits incurred	\$ 15,256	\$ 14,598
Allocation of premium directly to recovery of insurance acquisition cash flows	843	748
Adjustments to the liability for incurred claims	(820)	(773)
Losses and reversal of losses on onerous insurance contracts	213	97
Salaries and other employee benefits	5,280	5,059
General and administrative	1,815	1,673
Interest expense on leases	13	14
Depreciation of fixed assets	85	87
Depreciation of right-of-use assets	53	54
Commissions	1,962	1,861
Total expenses	\$ 24,700	\$ 23,418
Represented by:		
Insurance service expenses	\$ 17,239	\$ 16,368
Other operating and administrative expenses	7,461	7,050
Total expenses	\$ 24,700	\$ 23,418

¹ Certain comparative figures have been reclassified to conform with current year's presentation.

14. Insurance Contracts

(a) Analysis by Remaining Coverage and Incurred Claims

Insurance contracts	2025								
	Liability for remaining coverage		Liability for incurred claims				Asset for acquisition cash flows	Total	
	Excluding loss component	Loss component	Contracts not under PAA	Contracts under PAA		Asset for acquisition cash flows			Total
				Estimates of present value of future cash flows	Risk adjustment for non-financial risk				
Opening assets	\$ (1,414)	\$ 3	\$ 190	\$ 28	\$ —	\$ —	\$ (1,193)		
Opening liabilities	137,519	337	3,573	13,866	569	(181)	155,683		
Opening liabilities on account of segregated fund policyholders	66,343	—	—	—	—	—	66,343		
Net opening balance	202,448	340	3,763	13,894	569	(181)	220,833		
Changes in the Consolidated Statements of Earnings and Comprehensive Income									
Insurance revenue	(22,321)	—	—	—	—	—	(22,321)		
Insurance service expenses									
Incurred claims and other insurance service expenses	—	(31)	10,067	6,905	62	—	17,003		
Amortization of insurance acquisition cash flows	843	—	—	—	—	—	843		
Losses and reversal of losses on onerous contracts	—	213	—	—	—	—	213		
Adjustments to liabilities for incurred claims	—	—	(48)	(692)	(80)	—	(820)		
	843	182	10,019	6,213	(18)	—	17,239		
Investment components	(11,063)	—	7,927	3,136	—	—	—		
Total changes in insurance service result	(32,541)	182	17,946	9,349	(18)	—	(5,082)		
Net finance (income) expenses from insurance contracts	6,353	(1)	6,087	474	16	—	12,929		
Effect of movement in exchange rates	957	(2)	64	158	9	—	1,186		
Total changes in the Consolidated Statements of Earnings and Comprehensive Income	(25,231)	179	24,097	9,981	7	—	9,033		
Cash flows									
Premiums received	34,593	—	—	—	—	—	34,593		
Incurred claims paid and other insurance service expenses paid	(54)	—	(23,986)	(9,709)	—	—	(33,749)		
Insurance acquisition cash flows	(959)	—	—	—	—	—	(959)		
Insurance acquisition cash flows transferred from the asset for insurance acquisition cash flows at initial recognition	(36)	—	—	—	—	—	(36)		
Other cash flows ¹	1,092	—	—	—	—	—	1,092		
Total cash flows	34,636	—	(23,986)	(9,709)	—	—	941		
Asset for acquisition cash flows									
Insurance acquisition cash flows paid in the period	—	—	—	—	—	(40)	(40)		
Insurance acquisition cash flows allocated to groups of insurance contracts recognized in the period	—	—	—	—	—	36	36		
Total changes in asset for acquisition cash flows	—	—	—	—	—	(4)	(4)		
Other movements ²	(312)	—	—	—	—	—	(312)		
Net closing balance ³	\$ 211,541	\$ 519	\$ 3,874	\$ 14,166	\$ 576	\$ (185)	\$ 230,491		
Recorded in:									
Closing assets	\$ (2,374)	\$ —	\$ 894	\$ (91)	\$ —	\$ —	\$ (1,571)		
Closing liabilities	143,497	519	2,980	14,257	576	(185)	161,644		
Closing liabilities on account of segregated fund policyholders	70,418	—	—	—	—	—	70,418		
Net closing balance ³	\$ 211,541	\$ 519	\$ 3,874	\$ 14,166	\$ 576	\$ (185)	\$ 230,491		

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

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

³ Included in the insurance contract balances are loans to policyholders of \$8,727 and funds withheld of \$3,489.

Notes to the Consolidated Financial Statements

Insurance contracts

2024

	Liability for remaining coverage		Liability for incurred claims				Asset for acquisition cash flows	Total
	Excluding loss component	Loss component	Contracts not under PAA	Contracts under PAA		Asset for acquisition cash flows		
				Estimates of present value of future cash flows	Risk adjustment for non-financial risk			
Opening assets	\$ (2,021)	\$ —	\$ 831	\$ (3)	\$ —	\$ —	\$ (1,193)	
Opening liabilities	127,300	253	2,876	13,578	555	(174)	144,388	
Opening liabilities on account of segregated fund policyholders	60,302	—	—	—	—	—	60,302	
Net opening balance	185,581	253	3,707	13,575	555	(174)	203,497	
Changes in the Consolidated Statements of Earnings and Comprehensive Income								
Insurance revenue	(21,214)	—	—	—	—	—	(21,214)	
Insurance service expenses								
Incurred claims and other insurance service expenses	—	(21)	9,647	6,615	55	—	16,296	
Amortization of insurance acquisition cash flows	748	—	—	—	—	—	748	
Losses and reversal of losses on onerous contracts	—	97	—	—	—	—	97	
Adjustments to liabilities for incurred claims	—	—	(17)	(689)	(67)	—	(773)	
	748	76	9,630	5,926	(12)	—	16,368	
Investment components	(10,578)	—	7,523	3,055	—	—	—	
Total changes in insurance service result	(31,044)	76	17,153	8,981	(12)	—	(4,846)	
Net finance (income) expenses from insurance contracts	7,856	2	5,576	505	17	—	13,956	
Effect of movement in exchange rates	4,892	9	87	188	9	—	5,185	
Total changes in the Consolidated Statements of Earnings and Comprehensive Income	(18,296)	87	22,816	9,674	14	—	14,295	
Cash flows								
Premiums received	35,406	—	—	—	—	—	35,406	
Incurred claims paid and other insurance service expenses paid	(58)	—	(22,760)	(9,355)	—	—	(32,173)	
Insurance acquisition cash flows	(878)	—	—	—	—	—	(878)	
Insurance acquisition cash flows transferred from the asset for insurance acquisition cash flows at initial recognition	(34)	—	—	—	—	—	(34)	
Other cash flows ¹	1,211	—	—	—	—	—	1,211	
Total cash flows	35,647	—	(22,760)	(9,355)	—	—	3,532	
Asset for acquisition cash flows								
Insurance acquisition cash flows paid in the period	—	—	—	—	—	(41)	(41)	
Insurance acquisition cash flows allocated to groups of insurance contracts recognized in the period	—	—	—	—	—	34	34	
Total changes in asset for acquisition cash flows	—	—	—	—	—	(7)	(7)	
Other movements ²	(484)	—	—	—	—	—	(484)	
Net closing balance ³	\$ 202,448	\$ 340	\$ 3,763	\$ 13,894	\$ 569	\$ (181)	\$ 220,833	
Recorded in:								
Closing assets	\$ (1,414)	\$ 3	\$ 190	\$ 28	\$ —	\$ —	\$ (1,193)	
Closing liabilities	137,519	337	3,573	13,866	569	(181)	155,683	
Closing liabilities on account of segregated fund policyholders	66,343	—	—	—	—	—	66,343	
Net closing balance ³	\$ 202,448	\$ 340	\$ 3,763	\$ 13,894	\$ 569	\$ (181)	\$ 220,833	

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

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

³ Included in the insurance contract balances are loans to policyholders of \$9,204 and funds withheld of \$3,640.

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

Insurance contracts	2025			
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
Opening assets	\$ (4,397)	\$ 584	\$ 2,672	\$ (1,141)
Opening liabilities	124,143	6,155	11,768	142,066
Opening liabilities on account of segregated fund policyholders	66,343	—	—	66,343
Net opening balance	186,089	6,739	14,440	207,268
Changes in the Consolidated Statements of Earnings and Comprehensive Income				
Changes that relate to current service				
CSM recognized for services provided	—	—	(1,357)	(1,357)
Change in risk adjustment for non-financial risk for risk expired	—	(628)	—	(628)
Experience adjustments	211	1	—	212
Changes that relate to future service				
Contracts initially recognized in the year	(863)	257	620	14
Changes in estimates that adjust the CSM	(142)	(15)	157	—
Changes in estimates that result in losses and reversal of losses on onerous contacts	169	30	—	199
Changes that relate to past service				
Adjustment to liabilities for incurred claims	(44)	(3)	—	(47)
Total changes in insurance service result	(669)	(358)	(580)	(1,607)
Net finance (income) expenses from insurance contracts	12,163	88	187	12,438
Effect of movement in exchange rates	539	124	350	1,013
Total changes in the Consolidated Statements of Earnings and Comprehensive Income	12,033	(146)	(43)	11,844
Cash flows				
Premiums received	21,737	—	—	21,737
Incurred claims paid and other insurance service expenses paid	(24,040)	—	—	(24,040)
Insurance acquisition cash flows	(807)	—	—	(807)
Other cash flows ¹	1,153	—	—	1,153
Total cash flows	(1,957)	—	—	(1,957)
Other movements ²	(312)	—	—	(312)
Net closing balance	\$ 195,853	\$ 6,593	\$ 14,397	\$ 216,843
Recorded in:				
Closing assets	\$ (7,185)	\$ 1,549	\$ 4,267	\$ (1,369)
Closing liabilities	132,620	5,044	10,130	147,794
Closing liabilities on account of segregated fund policyholders	70,418	—	—	70,418
Net closing balance	\$ 195,853	\$ 6,593	\$ 14,397	\$ 216,843

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

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

Notes to the Consolidated Financial Statements

	2024			
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
Insurance contracts				
Opening assets	\$ (6,560)	\$ 1,654	\$ 3,796	\$ (1,110)
Opening liabilities	115,794	5,372	9,952	131,118
Opening liabilities on account of segregated fund policyholders	60,302	—	—	60,302
Net opening balance	169,536	7,026	13,748	190,310
Changes in the Consolidated Statements of Earnings and Comprehensive Income				
Changes that relate to current service				
CSM recognized for services provided	—	—	(1,262)	(1,262)
Change in risk adjustment for non-financial risk for risk expired	—	(627)	—	(627)
Experience adjustments	161	1	—	162
Changes that relate to future service				
Contracts initially recognized in the year	(1,229)	330	913	14
Changes in estimates that adjust the CSM	(243)	(284)	527	—
Changes in estimates that result in losses and reversal of losses on onerous contracts	69	14	—	83
Changes that relate to past service				
Adjustment to liabilities for incurred claims	(16)	—	—	(16)
Total changes in insurance service result	(1,258)	(566)	178	(1,646)
Net finance (income) expenses from insurance contracts	13,186	74	174	13,434
Effect of movement in exchange rates	4,441	205	340	4,986
Total changes in the Consolidated Statements of Earnings and Comprehensive Income	16,369	(287)	692	16,774
Cash flows				
Premiums received	22,964	—	—	22,964
Incurred claims paid and other insurance service expenses paid	(22,817)	—	—	(22,817)
Insurance acquisition cash flows	(750)	—	—	(750)
Other cash flows ¹	1,271	—	—	1,271
Total cash flows	668	—	—	668
Other movements ²	(484)	—	—	(484)
Net closing balance	\$ 186,089	\$ 6,739	\$ 14,440	\$ 207,268
Recorded in:				
Closing assets	\$ (4,397)	\$ 584	\$ 2,672	\$ (1,141)
Closing liabilities	124,143	6,155	11,768	142,066
Closing liabilities on account of segregated fund policyholders	66,343	—	—	66,343
Net closing balance	\$ 186,089	\$ 6,739	\$ 14,440	\$ 207,268

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

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

(c) CSM and Insurance Revenue by Transition Approach

	2025	2024
CSM movement by transition approach		
Insurance contracts under fair value approach		
CSM balance, beginning of year	\$ 9,052	\$ 9,641
Change related to current service provided		
CSM recognized for services provided	(845)	(885)
Changes that relate to future service		
Changes in estimates that adjust the CSM	97	58
Total changes in insurance service result	(748)	(827)
Net finance expenses from insurance contracts	48	62
Effect of movement in exchange rates	193	176
Total change	(507)	(589)
CSM balance, end of year	\$ 8,545	\$ 9,052
Other insurance contracts		
CSM balance, beginning of year	\$ 5,388	\$ 4,107
Change related to current service provided		
CSM recognized for services provided	(512)	(377)
Changes that relate to future service		
Contracts initially recognized in the year	620	913
Changes in estimates that adjust the CSM	60	469
Total changes in insurance service result	168	1,005
Net finance expenses from insurance contracts	139	112
Effect of movement in exchange rates	157	164
Total change	464	1,281
CSM balance, end of year	\$ 5,852	\$ 5,388
Net CSM balance, end of year	\$ 14,397	\$ 14,440
Insurance revenue		
Insurance revenue for contracts under fair value approach	\$ 7,543	\$ 8,569
Insurance revenue for contracts under other approaches	14,778	12,645
Total insurance revenue	\$ 22,321	\$ 21,214

Upon transition, IFRS 17 required an entity to apply the standard retrospectively unless impracticable. The Company performed a cut-off date assessment (by region and product) to determine the contracts to which the full retrospective approach can be applied. The Company applied the full retrospective approach to all identified insurance contracts unless it was impracticable, where reasonable and supportable information necessary to complete the full retrospective approach was not available.

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

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

(d) Composition of Insurance Contract Liabilities and Related Supporting Assets**(i) Composition of Insurance and Reinsurance Contract Assets and Liabilities, as well as Investment Contract Liabilities**

		2025						
		Insurance contract assets	Reinsurance contract held assets	Insurance contract liabilities	Investment contract liabilities	Reinsurance contract held liabilities		
Participating								
United States	\$	—	\$	—	\$	5,033	\$	—
Canada		—		—		61,045		—
Europe		—		—		118		—
Capital and Risk Solutions		—		—		651		—
Non-Participating								
United States		315		11,818		12,599		84,620
Canada		445		1,224		30,600		3,456
Europe		534		3,705		45,386		377
Capital and Risk Solutions		277		103		6,212		589
Total	\$	1,571	\$	16,850	\$	161,644	\$	89,042
								\$
								919

		2024						
		Insurance contract assets	Reinsurance contract held assets	Insurance contract liabilities	Investment contract liabilities	Reinsurance contract held liabilities		
Participating								
United States	\$	—	\$	—	\$	5,337	\$	—
Canada		—		—		55,941		—
Europe		—		—		122		—
Capital and Risk Solutions		—		—		678		—
Non-Participating								
United States		335		12,756		13,544		85,470
Canada		434		1,216		31,309		3,698
Europe		353		3,746		41,944		330
Capital and Risk Solutions		71		124		6,808		659
Total	\$	1,193	\$	17,842	\$	155,683	\$	90,157
								\$
								795

(ii) Composition of Assets Supporting Insurance Contract Liabilities

		2025						
		Bonds	Mortgage loans	Stocks	Investment properties	Other	Total	
Participating liabilities								
United States	\$	3,939	\$	528	\$	276	\$	—
Canada		29,132		12,332		12,618		5,630
Europe		56		—		39		—
Capital and Risk Solutions		613		—		—		38
Non-participating liabilities								
United States		346		7		—		12,246
Canada		23,072		3,533		3,422		573
Europe		29,177		7,923		126		1,658
Capital and Risk Solutions		5,354		811		47		—
Total	\$	91,689	\$	25,134	\$	16,528	\$	7,861
								\$
								20,432
								\$
								161,644

Notes to the Consolidated Financial Statements

	2024 ¹					
	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Participating liabilities						
United States	\$ 4,281	\$ 612	\$ 251	\$ —	\$ 193	\$ 5,337
Canada	27,497	12,239	10,513	5,164	528	55,941
Europe	53	—	34	3	32	122
Capital and Risk Solutions	604	—	—	—	74	678
Non-participating liabilities						
United States	387	8	—	—	13,149	13,544
Canada	23,553	3,727	3,206	742	81	31,309
Europe	27,227	7,359	396	1,909	5,053	41,944
Capital and Risk Solutions	6,057	751	—	—	—	6,808
Total	\$ 89,659	\$ 24,696	\$ 14,400	\$ 7,818	\$ 19,110	\$ 155,683

¹ Comparative figures have been reclassified to conform with current year's presentation.

Cash flows of assets supporting insurance contract liabilities are matched within reasonable limits.

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

Insurance contracts

	2025		
	Profitable contracts issued	Onerous contracts issued	Total
Insurance acquisition cash flows	\$ 683	\$ 49	\$ 732
Claims and other insurance service expenses payable	7,425	83	7,508
Estimates of present value of cash outflows	8,108	132	8,240
Estimates of present value of cash inflows	(8,968)	(135)	(9,103)
Risk adjustment for non-financial risk	240	17	257
CSM	620	—	620
Total losses (gains) recognized on initial recognition	\$ —	\$ 14	\$ 14

Insurance contracts

	2024		
	Profitable contracts issued	Onerous contracts issued	Total
Insurance acquisition cash flows	\$ 582	\$ 42	\$ 624
Claims and other insurance service expenses payable	9,241	79	9,320
Estimates of present value of cash outflows	9,823	121	9,944
Estimates of present value of cash inflows	(11,050)	(123)	(11,173)
Risk adjustment for non-financial risk	312	18	330
CSM	913	—	913
Total losses (gains) recognized on initial recognition	\$ (2)	\$ 16	\$ 14

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

(f) Maturity Analysis of Insurance and Reinsurance Contracts Held

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

Notes to the Consolidated Financial Statements

	2025						
	1 year or less	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
Insurance contracts							
Insurance contract liabilities	\$ 9,039	\$ 5,164	\$ 5,402	\$ 5,508	\$ 5,851	\$ 507,352	\$ 538,316
Insurance contract assets	(786)	(821)	(776)	(678)	(621)	(8,048)	(11,730)
	\$ 8,253	\$ 4,343	\$ 4,626	\$ 4,830	\$ 5,230	\$ 499,304	\$ 526,586
Reinsurance contracts held							
Reinsurance contract held liabilities	\$ 177	\$ 239	\$ 241	\$ 218	\$ 190	\$ 1,433	\$ 2,498
Reinsurance contract held assets	(736)	(218)	(198)	(196)	(199)	(4,479)	(6,026)
	\$ (559)	\$ 21	\$ 43	\$ 22	\$ (9)	\$ (3,046)	\$ (3,528)
	2024						
	1 year or less	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
Insurance contracts							
Insurance contract liabilities	\$ 8,168	\$ 4,295	\$ 4,429	\$ 4,776	\$ 4,947	\$ 456,281	\$ 482,896
Insurance contract assets	(604)	(573)	(541)	(479)	(424)	(3,260)	(5,881)
	\$ 7,564	\$ 3,722	\$ 3,888	\$ 4,297	\$ 4,523	\$ 453,021	\$ 477,015
Reinsurance contracts held							
Reinsurance contract held liabilities	\$ 182	\$ 111	\$ 112	\$ 99	\$ 82	\$ 490	\$ 1,076
Reinsurance contract held assets	(634)	(189)	(168)	(164)	(167)	(4,306)	(5,628)
	\$ (452)	\$ (78)	\$ (56)	\$ (65)	\$ (85)	\$ (3,816)	\$ (4,552)

(g) Amount of Insurance Contract Liabilities Payable on Demand

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

	2025	2024
Amounts payable on demand	\$ 67,709	\$ 64,424
Carrying amounts	105,841	101,715

(h) Expected Remaining CSM Recognition

	Insurance contracts							
	1 year or less	1-2 years	2-3 years	3-4 years	4-5 years	5-10 years	Over 10 years	Total
2025	\$ 1,287	\$ 1,158	\$ 1,036	\$ 951	\$ 869	\$ 3,366	\$ 5,730	\$ 14,397
2024	1,207	1,121	1,027	950	873	3,384	5,878	14,440

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

	Insurance contracts							
	1 year or less	1-2 years	2-3 years	3-4 years	4-5 years	5-10 years	Over 10 years	Total
2025	\$ 34	\$ 31	\$ 28	\$ 25	\$ 21	\$ 46	\$ —	\$ 185
2024	32	30	27	24	21	47	—	181

(j) Insurance Risk

Actuarial Assumptions

In the computation of insurance contract liabilities, valuation assumptions have been made regarding rates of mortality/morbidity, investment returns, levels of operating expenses, rates of policy termination and rates of utilization of elective policy

options or provisions. The valuation assumptions use best estimates of future experience together with a risk adjustment for non-financial risk. The risk adjustment for non-financial risk represents the compensation that the Company requires for bearing uncertainty in the amount and timing of insurance contract cash flows. Risk adjustments for non-financial risk are reviewed periodically for continued appropriateness.

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

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

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

Mortality

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

Morbidity

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

Expenses

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

Policy Termination

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

Property and Casualty Reinsurance

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

Utilization of Elective Policy Options

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

Policyholder Dividends and Adjustable Policy Features

Future policyholder dividends and other adjustable policy features are included in the determination of insurance contract liabilities with the assumption that policyholder dividends or adjustable benefits will change in the future in response to the

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

Investment Returns

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

Insurance and Investment Contract Liabilities

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

Non-Financial Exposures and Sensitivities

Insurance Risk

	2025			
	Net earnings		CSM ¹	
	Before Reinsurance	Net of Reinsurance Held	Before Reinsurance	Net of Reinsurance Held
2% Life mortality increase	\$ (225)	\$ (200)	\$ (225)	\$ (75)
2% Annuity mortality decrease	200	175	(750)	(625)
5% Morbidity adverse change	(150)	(150)	(225)	(100)
5% Expense increase	(25)	—	(125)	(125)
10% Adverse change in policy termination and renewal	(225)	(150)	(675)	(725)
	2024			
	Net earnings		CSM ¹	
	Before Reinsurance	Net of Reinsurance Held	Before Reinsurance	Net of Reinsurance Held
2% Life mortality increase	\$ (100)	\$ (100)	\$ (350)	\$ (175)
2% Annuity mortality decrease	200	175	(725)	(650)
5% Morbidity adverse change	(150)	(125)	(200)	(100)
5% Expense increase	—	—	(125)	(150)
10% Adverse change in policy termination and renewal	(50)	—	(850)	(850)

¹ The impacts to the CSM are pre-tax.

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

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

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

Reinsurance Risk

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

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

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

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

Discount Rates

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

2025		Year 1	Year 5	Year 10	Year 20	Year 30	Year 50
CAD	Lower	2.9 %	3.6 %	4.0 %	4.4 %	4.5 %	4.9 %
	Upper	3.9 %	4.6 %	5.0 %	5.4 %	5.5 %	5.4 %
USD	Lower	4.1 %	4.4 %	4.9 %	5.8 %	5.6 %	5.1 %
	Upper	4.6 %	4.9 %	5.4 %	6.3 %	6.2 %	5.4 %
EUR	Lower	2.5 %	2.9 %	3.4 %	3.9 %	4.2 %	4.6 %
	Upper	3.2 %	3.7 %	4.1 %	4.7 %	4.8 %	4.7 %
GBP	Lower	4.1 %	4.5 %	5.1 %	5.8 %	5.9 %	4.5 %
	Upper	4.8 %	5.2 %	5.9 %	6.6 %	6.6 %	5.3 %

2024		Year 1	Year 5	Year 10	Year 20	Year 30	Year 50
CAD	Lower	4.2 %	4.2 %	4.5 %	4.6 %	4.6 %	4.9 %
	Upper	4.6 %	4.6 %	4.9 %	5.0 %	5.0 %	5.0 %
USD	Lower	4.9 %	5.2 %	5.4 %	5.8 %	5.6 %	5.1 %
	Upper	5.4 %	5.7 %	5.8 %	6.2 %	5.9 %	5.3 %
EUR	Lower	2.5 %	2.5 %	2.8 %	3.0 %	3.2 %	4.3 %
	Upper	3.6 %	3.6 %	3.8 %	4.0 %	4.1 %	4.5 %
GBP	Lower	4.9 %	4.8 %	5.1 %	5.7 %	5.7 %	4.3 %
	Upper	5.7 %	5.5 %	5.9 %	6.5 %	6.5 %	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.

Impact of Assumption Changes and Management Actions

Throughout the year, the Company completed certain assumption reviews and model refinements related to insurance contract liabilities. The following table shows the net earnings and CSM impacts of assumption changes and management actions for the years ended December 31, 2025 and December 31, 2024:

Assumptions	CSM impacts ¹	Net earnings impact (pre-tax)	Description
For the year ended December 31, 2025			
Longevity	\$ 30	\$ 18	Updates to reflect recent longevity experience, primarily on portfolios in the Capital and Risk Solutions segment and the Europe segment
Mortality	(21)	(27)	Updates to reflect recent mortality experience on the U.S. life reinsurance portfolio in the Capital and Risk Solutions segment, and recent mortality experience and trends in the Canada segment
Policyholder behaviour	(184)	50	Updates to lapse assumptions on universal life insurance in the Canada segment
Other	25	(141)	Other updates, including financial and expense assumptions
Total	\$ (150)	\$ (100)	
For the year ended December 31, 2024			
Total	\$ 252	\$ (209)	

¹ Excludes participating and segregated fund policies.

15. Reinsurance Contracts Held

(a) Analysis by Remaining Coverage and Incurred Claims

Reinsurance contracts held	2025					
	Asset for remaining coverage		Asset for incurred claims			Total
	Excluding loss recovery component	Loss recovery component	Contracts not under the PAA	Contracts under PAA		
Estimates of present value of future cash flows				Risk adjustment for non-financial risk		
Opening assets	\$ 16,594	\$ 72	\$ 1,046	\$ 124	\$ 6	\$ 17,842
Opening liabilities	(1,269)	28	339	99	8	(795)
Net opening balance	15,325	100	1,385	223	14	17,047
Changes in the Consolidated Statements of Earnings and Comprehensive Income						
Net expenses from reinsurance contracts	(4,643)	(3)	1,935	1,003	5	(1,703)
Investment components	(140)	—	140	—	—	—
Net finance income from reinsurance contracts, excluding the effect of changes in non-performance risk of reinsurers	(349)	(2)	18	7	—	(326)
Effect of movement in exchange rates	(383)	2	45	5	—	(331)
Total changes in the Consolidated Statements of Earnings and Comprehensive Income	(5,515)	(3)	2,138	1,015	5	(2,360)
Cash flows						
Premiums paid	5,292	—	—	—	—	5,292
Incurred claims received and other insurance service amounts received	—	—	(2,062)	(908)	—	(2,970)
Other cash flows ¹	(767)	—	—	—	—	(767)
Total cash flows	4,525	—	(2,062)	(908)	—	1,555
Other movements ²	(311)	—	—	—	—	(311)
Net closing balance ³	\$ 14,024	\$ 97	\$ 1,461	\$ 330	\$ 19	\$ 15,931
Recorded in:						
Closing assets	\$ 15,473	\$ 79	\$ 948	\$ 331	\$ 19	\$ 16,850
Closing liabilities	(1,449)	18	513	(1)	—	(919)
Net closing balance ³	\$ 14,024	\$ 97	\$ 1,461	\$ 330	\$ 19	\$ 15,931

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

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

³ Included in the reinsurance contracts held amounts are funds withheld by the Company under reinsurance contracts of \$5,463.

Notes to the Consolidated Financial Statements

Reinsurance contracts held

2024

	Asset for remaining coverage		Asset for incurred claims				Total
	Excluding loss recovery component	Loss recovery component	Contracts not under the PAA	Contracts under PAA			
				Estimates of present value of future cash flows	Risk adjustment for non-financial risk		
Opening assets	\$ 15,981	\$ 90	\$ 1,002	\$ 247	\$ 12	\$ 17,332	
Opening liabilities	(885)	20	218	(1)	—	(648)	
Net opening balance	15,096	110	1,220	246	12	16,684	
Changes in the Consolidated Statements of Earnings and Comprehensive Income							
Net expenses from reinsurance contracts	(4,457)	(10)	1,906	961	1	(1,599)	
Investment components	(123)	—	123	—	—	—	
Net finance income from reinsurance contracts, excluding the effect of changes in non-performance risk of reinsurers	(52)	(1)	36	6	1	(10)	
Effect of movement in exchange rates	1,036	1	19	5	—	1,061	
Total changes in the Consolidated Statements of Earnings and Comprehensive Income	(3,596)	(10)	2,084	972	2	(548)	
Cash flows							
Premiums paid	3,799	—	—	—	—	3,799	
Incurred claims received and other insurance service amounts received	—	—	(1,919)	(995)	—	(2,914)	
Other cash flows ¹	510	—	—	—	—	510	
Total cash flows	4,309	—	(1,919)	(995)	—	1,395	
Other movements ²	(484)	—	—	—	—	(484)	
Net closing balance ³	\$ 15,325	\$ 100	\$ 1,385	\$ 223	\$ 14	\$ 17,047	
Recorded in:							
Closing assets	\$ 16,594	\$ 72	\$ 1,046	\$ 124	\$ 6	\$ 17,842	
Closing liabilities	(1,269)	28	339	99	8	(795)	
Net closing balance ³	\$ 15,325	\$ 100	\$ 1,385	\$ 223	\$ 14	\$ 17,047	

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

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

³ Included in the reinsurance contracts held amounts are funds withheld by the Company under reinsurance contracts of \$4,276.

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

Reinsurance contracts held	2025			
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
Opening assets	\$ 16,644	\$ 731	\$ 344	\$ 17,719
Opening liabilities	(2,488)	1,021	728	(739)
Net opening balance	14,156	1,752	1,072	16,980
Changes in the Consolidated Statements of Earnings and Comprehensive Income				
Changes that relate to current service				
CSM recognized for services received	—	—	(125)	(125)
Change in risk adjustment for non-financial risk for risk expired	—	(175)	—	(175)
Experience adjustments	52	—	—	52
Changes that relate to future service				
Contracts initially recognized in the year	(106)	138	(22)	10
Changes in estimates that adjust the CSM	56	38	(94)	—
Changes in estimates that result in losses and reversal of losses on onerous contacts	(16)	14	—	(2)
Changes that relate to past service				
Changes in amounts recoverable arising from changes in liability for incurred claims	(17)	(1)	—	(18)
Net expenses from reinsurance contracts	(31)	14	(241)	(258)
Net finance income from reinsurance contracts, excluding the effect of changes in non-performance risk of reinsurers	(353)	(6)	26	(333)
Effect of movement in exchange rates	(404)	57	10	(337)
Total changes in the Consolidated Statements of Earnings and Comprehensive Income	(788)	65	(205)	(928)
Cash flows				
Premiums paid	2,852	—	—	2,852
Incurred claims received and other insurance service amounts received	(2,062)	—	—	(2,062)
Other cash flows ¹	(767)	—	—	(767)
Total cash flows	23	—	—	23
Other movements ²	(311)	—	—	(311)
Net closing balance	\$ 13,080	\$ 1,817	\$ 867	\$ 15,764
Recorded in:				
Closing assets	\$ 15,713	\$ 708	\$ 255	\$ 16,676
Closing liabilities	(2,633)	1,109	612	(912)
Net closing balance	\$ 13,080	\$ 1,817	\$ 867	\$ 15,764

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

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

Notes to the Consolidated Financial Statements

	2024			
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
Reinsurance contracts held				
Opening assets	\$ 16,181	\$ 866	\$ 163	\$ 17,210
Opening liabilities	(2,419)	863	950	(606)
Net opening balance	13,762	1,729	1,113	16,604
Changes in the Consolidated Statements of Earnings and Comprehensive Income				
Changes that relate to current service				
CSM recognized for services received	—	—	(131)	(131)
Change in risk adjustment for non-financial risk for risk expired	—	(176)	—	(176)
Experience adjustments	43	(1)	—	42
Changes that relate to future service				
Contracts initially recognized in the year	(115)	159	(34)	10
Changes in estimates that adjust the CSM	(27)	(34)	61	—
Changes in estimates that result in losses and reversal of losses on onerous contracts	(17)	11	—	(6)
Changes that relate to past service				
Changes in amounts recoverable arising from changes in liability for incurred claims	25	—	—	25
Net expenses from reinsurance contracts	(91)	(41)	(104)	(236)
Net finance income from reinsurance contracts, excluding the effect of changes in non-performance risk of reinsurers	(83)	31	35	(17)
Effect of movement in exchange rates	998	33	28	1,059
Total changes in the Consolidated Statements of Earnings and Comprehensive Income	824	23	(41)	806
Cash flows				
Premiums paid	1,462	—	—	1,462
Incurred claims received and other insurance service amounts received	(1,918)	—	—	(1,918)
Other cash flows ¹	510	—	—	510
Total cash flows	54	—	—	54
Other movements ²	(484)	—	—	(484)
Net closing balance	\$ 14,156	\$ 1,752	\$ 1,072	\$ 16,980
Recorded in:				
Closing assets	\$ 16,644	\$ 731	\$ 344	\$ 17,719
Closing liabilities	(2,488)	1,021	728	(739)
Net closing balance	\$ 14,156	\$ 1,752	\$ 1,072	\$ 16,980

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

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

(c) CSM by Transition Approach

	2025	2024
Reinsurance contracts held		
Reinsurance contracts held under fair value approach		
CSM balance, beginning of year	\$ 1,021	\$ 1,106
Change related to current service provided		
CSM recognized for services provided	(123)	(124)
Changes that relate to future service		
Changes in estimates that adjust the CSM	2	(24)
Total changes in insurance service result	(121)	(148)
Net finance expenses from reinsurance contracts	41	63
Total change	(80)	(85)
CSM balance, end of year	\$ 941	\$ 1,021
Other reinsurance contracts held		
CSM balance, beginning of year	\$ 51	\$ 7
Change related to current service provided		
CSM recognized for services provided	(2)	(7)
Changes that relate to future service		
Contracts initially recognized in the year	(22)	(34)
Changes in estimates that adjust the CSM	(96)	85
Total changes in insurance service result	(120)	44
Net finance expenses from reinsurance contracts	(5)	—
Total change	(125)	44
CSM balance, end of year	\$ (74)	\$ 51
Net CSM balance, end of year	\$ 867	\$ 1,072

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

	2025	2024
Reinsurance contracts held		
Estimates of present value of cash outflows	\$ 3,332	\$ 3,522
Estimates of present value of cash inflows	(3,226)	(3,407)
Risk adjustment for non-financial risk	(138)	(159)
Income recognized on initial recognition	10	10
CSM	\$ 22	\$ 34

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

(e) Expected Remaining CSM Recognition

	Reinsurance contracts held							Total
	1 year or less	1-2 years	2-3 years	3-4 years	4-5 years	5-10 years	Over 10 years	
2025	\$ (107)	\$ (94)	\$ (82)	\$ (71)	\$ (60)	\$ (210)	\$ (243)	\$ (867)
2024	(122)	(109)	(97)	(86)	(76)	(262)	(320)	(1,072)

16. Investment Contract Liabilities

Change in Investment Contract Liabilities Measured at Fair Value

	2025	2024
Balance, beginning of year	\$ 90,157	\$ 88,919
Normal change in force business	(1,870)	(8,469)
Investment experience	5,020	2,932
Management action and changes in assumptions	(16)	—
Impact of foreign exchange rate changes	(4,249)	6,775
Balance, end of year	\$ 89,042	\$ 90,157

All investment contract liabilities are measured at FVTPL.

17. Segregated Funds and Other Structured Entities

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

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

In circumstances where the segregated funds are invested in structured entities and are deemed to control the entity, the Company has presented the non-controlling ownership interest within the segregated funds for the risk of policyholders as equal and offsetting amounts in the assets and liabilities. The amounts presented within are \$6,708 at December 31, 2025 (\$6,082 at December 31, 2024).

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

Segregated Funds Guarantee Exposure

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

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

In the U.S., the Company has a mix of open and closed blocks of group variable annuities with guaranteed minimum withdrawal benefits (GMWB) and a closed block of group standalone GMDB products which mainly provide return of premium on death. The GMWB portfolio has been reinsured by a third party.

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

Notes to the Consolidated Financial Statements

The Company also offers a GMWB product in the U.S., and Germany, and previously offered a GMWB product in Canada and Ireland. Certain GMWB products offered by the Company offer levels of death and maturity guarantees. At December 31, 2025, the amount of GMWB product in-force in Canada, the U.S., Ireland and Germany was \$7,084 (\$7,538 at December 31, 2024).

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

(a) Investments on Account of Segregated Fund Policyholders

	2025	2024
Cash and cash equivalents	\$ 20,297	\$ 18,895
Bonds	76,080	74,444
Mortgage loans	2,142	2,083
Stocks and units in unit trusts	176,933	154,439
Mutual funds	262,239	232,073
Investment properties	11,050	11,317
	<u>548,741</u>	<u>493,251</u>
Accrued income	986	882
Other liabilities	(5,266)	(3,829)
Non-controlling mutual funds interest	6,708	6,082
Total ^{1,2}	<u>\$ 551,169</u>	<u>\$ 496,386</u>

¹ At December 31, 2025, \$58,675 of investments on account of segregated fund policyholders are reinsured by the Company on a modified coinsurance basis (\$65,315 at December 31, 2024). Included in this amount are \$598 of cash and cash equivalents, \$9,666 of bonds, \$16 of stocks and units in unit trusts, \$48,364 of mutual funds, \$78 of accrued income and \$(47) of other liabilities.

² At December 31, 2025, \$2,787 of investments on account of segregated fund policyholders on the Company's Consolidated Balance Sheets are expected to be transferred to Countrywide in 2026 (\$2,750 as at December 31, 2024) (note 3). Included in this amount are \$93 of cash and cash equivalents, \$2,718 of stocks and units in unit trusts and \$(24) of other liabilities.

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

	2025	2024
Insurance contracts on account of segregated fund policyholders	\$ 70,418	\$ 66,343
Investment contracts on account of segregated fund policyholders	480,751	430,043
	<u>\$ 551,169</u>	<u>\$ 496,386</u>

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

Segregated funds

	2025		
	Profitable contracts issued	Onerous contracts issued	Total
Insurance acquisition cash flows	\$ —	\$ —	\$ —
Claims and other insurance service expenses payable	3,613	49	3,662
Estimates of present value of cash outflows	3,613	49	3,662
Estimates of present value of cash inflows	(3,613)	(49)	(3,662)
Risk adjustment for non-financial risk	—	—	—
Total losses (gains) recognized on initial recognition	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

Segregated funds

	2024		
	Profitable contracts issued	Onerous contracts issued	Total
Insurance acquisition cash flows	\$ —	\$ —	\$ —
Claims and other insurance service expenses payable	3,938	—	3,938
Estimates of present value of cash outflows	3,938	—	3,938
Estimates of present value of cash inflows	(3,938)	—	(3,938)
Risk adjustment for non-financial risk	—	—	—
Total losses (gains) recognized on initial recognition	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

(d) Changes in Insurance and Investment Contracts on Account of Segregated Fund Policyholders

	2025	2024
Balance, beginning of year	\$ 496,386	\$ 422,956
Additions (deductions):		
Policyholder deposits	64,200	64,353
Net investment income	10,363	9,653
Net realized capital gains (losses) on investments	22,559	13,113
Net unrealized capital gains (losses) on investments	19,433	30,777
Unrealized gains (losses) due to changes in foreign exchange rates	(153)	21,161
Policyholder withdrawals	(62,276)	(65,662)
Change in segregated fund investment in general fund	18	5
Change in general fund investment in segregated fund	(1)	1
Net transfer from (to) general fund	14	17
Non-controlling mutual funds interest	626	12
Total	54,783	73,430
Balance, end of year	\$ 551,169	\$ 496,386

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

	2025			
	Level 1	Level 2	Level 3	Total
Investments on account of segregated fund policyholders¹	\$ 402,281	\$ 139,230	\$ 14,013	\$ 555,524

¹ Excludes other liabilities, net of other assets, of \$4,355.

	2024			
	Level 1	Level 2	Level 3	Total
Investments on account of segregated fund policyholders ¹	\$ 348,889	\$ 136,947	\$ 13,354	\$ 499,190

¹ Excludes other liabilities, net of other assets, of \$2,804.

During 2025, certain foreign stock holdings valued at \$2,779 have been transferred from Level 1 to Level 2 (\$1,624 were transferred from Level 1 to Level 2 at December 31, 2024) primarily based on the Company's change in use of inputs in addition to quoted prices in active markets for certain foreign stock holdings. Level 2 assets include those assets where fair value is not available from normal market pricing sources, where inputs are utilized in addition to quoted prices in active markets and where the Company does not have access to the underlying asset details within an investment fund.

As at December 31, 2025, \$6,315 (\$4,061 at December 31, 2024) of the segregated funds were invested in funds managed by related parties IG Wealth Management and Mackenzie Investments, members of the Power Corporation group of companies (note 28).

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

	2025	2024
Balance, beginning of year	\$ 13,354	\$ 13,792
Total gains (losses) included in segregated fund investment income	(450)	(758)
Purchases	2,067	1,130
Sales	(1,066)	(872)
Transfers into Level 3	135	97
Transfers out of Level 3	(27)	(35)
Balance, end of year	\$ 14,013	\$ 13,354

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

(f) Other Structured Entities

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

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

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

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

During 2025, fee and other income earned by the Company resulting from the Company's interests in segregated funds and other structured entities was \$5,115 (\$4,820 during 2024).

Included within other assets (note 11) at December 31, 2025 is \$3,832 (\$3,540 at December 31, 2024) of investments by the Company in bonds and stocks of consolidated Empower CLOs and other sponsored funds and \$163 (\$161 at December 31, 2024) of investments in stocks of sponsored unit trusts in Europe.

18. Debentures and Other Debt Instruments

	2025		2024	
	Carrying value	Fair value	Carrying value	Fair value
Short-term				
Commercial paper and other short-term debt instruments with interest rates 3.921% to 4.204% (4.930% at December 31, 2024), unsecured	\$ 273	\$ 273	\$ 144	\$ 144
Total short-term	273	273	144	144
Long-term				
Operating:				
Mortgage on investment property, due January 1, 2029 (U.S. \$39) with interest of 4.51%	51	51	54	54
Capital:				
Lifeco				
6.74% Debentures due November 24, 2031, unsecured	197	230	197	231
6.67% Debentures due March 21, 2033, unsecured	397	465	396	467
5.998% Debentures due November 16, 2039, unsecured	343	385	343	396
4.70% Senior bonds due November 16, 2029, unsecured, (€500) ¹	802	855	742	806
3.337% Debentures due February 28, 2028, unsecured	499	503	499	498
2.981% Debentures due July 8, 2050, unsecured	494	363	494	378
2.379% Debentures due May 14, 2030, unsecured	598	581	598	563
1.75% Senior bonds due December 7, 2026, unsecured, (€500) ¹	805	796	743	731
	4,135	4,178	4,012	4,070
Canada Life				
6.40% Subordinated debentures due December 11, 2028, unsecured	100	109	100	110
Canada Life Capital Trust (CLCT)				
7.529% due June 30, 2052, unsecured, face value \$150	154	177	155	179
Great-West Lifeco Finance 2018, LP				
4.581% Senior notes due May 17, 2048, unsecured, (U.S. \$500)	679	591	714	603
4.047% Senior notes due May 17, 2028, unsecured, (U.S. \$300)	411	411	431	417
	1,090	1,002	1,145	1,020
Great-West Lifeco Finance (Delaware) LP				
4.15% Senior notes due June 3, 2047, unsecured, (U.S. \$700)	946	777	993	797
Great-West Lifeco U.S. Finance 2020, LP				
0.904% Senior notes due August 12, 2025, unsecured, (U.S. \$500)	—	—	719	703
Empower Finance 2020, LP				
3.075% Senior notes due September 17, 2051, unsecured, (U.S. \$700)	950	618	998	633
1.776% Senior notes due March 17, 2031, unsecured, (U.S. \$400)	546	488	574	471
1.357% Senior notes due September 17, 2027, unsecured, (U.S. \$400)	547	525	575	523
	2,043	1,631	2,147	1,627
Total long-term	8,519	7,925	9,325	8,560
Total	\$ 8,792	\$ 8,198	\$ 9,469	\$ 8,704

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

On August 12, 2025, Great-West Lifeco U.S. Finance 2020, LP, a subsidiary of the Company, repaid the principal amount of its maturing 0.904% U.S. \$500 senior notes, together with accrued interest.

Capital Trust Securities

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

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

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

19. Financing Costs

Financing costs consist of the following:

	2025	2024
Operating charges:		
Interest on operating lines and short-term debt instruments	\$ 9	\$ 9
Financial charges:		
Interest on long-term debentures and other debt instruments	307	302
Interest on limited recourse capital notes ¹	27	54
Interest on capital trust securities	11	11
Other	25	26
	<u>370</u>	<u>393</u>
Total	<u>\$ 379</u>	<u>\$ 402</u>

¹ Beginning in the third quarter of 2025, interest on limited recourse capital note is recognized as a deduction to equity when incurred.

20. Other Liabilities

	2025	2024
Pension and other post-employment benefits (note 26)	\$ 473	\$ 497
Lease liabilities	344	380
Bank overdraft	375	379
Deferred income reserves	284	264
Collateralized loan obligation liabilities	3,904	3,791
Other	5,051	4,919
Total	<u>\$ 10,431</u>	<u>\$ 10,230</u>

Total other liabilities of \$5,426 (\$5,298 at December 31, 2024) are expected to be derecognized within 12 months from the reporting date. This amount excludes deferred income reserves, the changes in which are noted below.

Deferred Income Reserves

	2025	2024
Balance, beginning of year	\$ 264	\$ 256
Additions	78	63
Amortization	(57)	(53)
Changes in foreign exchange	13	12
Disposals	(14)	(14)
Balance, end of year	<u>\$ 284</u>	<u>\$ 264</u>

21. Non-Controlling Interests

The Company has a controlling equity interest in Canada Life and Empower at December 31, 2025 and December 31, 2024.

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

Non-controlling interests in subsidiaries also include non-controlling interests for the issued and outstanding shares of PanAgora Asset Management (PanAgora) held by employees.

(a) Non-Controlling Interests Recorded in the Consolidated Statements of Earnings and Other Comprehensive Income

	2025	2024
Net earnings attributable to participating account		
Canada Life	\$ 42	\$ 107
Empower	(1)	(1)
Net earnings (loss) - participating account	41	106
Non-controlling interests in subsidiaries	—	(3)
Total	\$ 41	\$ 103

The Company paid \$2,106 of participating policyholder dividends for the year ended December 31, 2025 (\$1,901 for the year ended December 31, 2024).

The non-controlling interests recorded in other comprehensive income (loss) for the year ended December 31, 2025 was \$(6) (\$94 for the year ended December 31, 2024).

(b) Carrying Value of Non-Controlling Interests

	2025	2024
Participating account surplus in subsidiaries:		
Canada Life	\$ 3,082	\$ 3,043
Empower	(3)	(2)
Total	\$ 3,079	\$ 3,041
Non-controlling interests in subsidiaries	\$ 67	\$ 72

22. Share Capital**(a) Limited Recourse Capital Notes**

Limited recourse capital notes	Earliest redemption date	Interest rate	2025		2024	
			Carrying value	Fair value	Carrying value	Fair value
Series 1	November 30, 2026	3.60 %	\$ 1,500	\$ 1,419	\$ 1,500	\$ 1,346

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

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

(b) Preferred and Common Shares

Authorized

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

Unlimited Common Shares

Issued and outstanding and fully paid

	2025		2024	
	Number	Carrying value	Number	Carrying value
First Preferred Shares				
Series G, 5.20% Non-Cumulative	12,000,000	\$ 300	12,000,000	\$ 300
Series H, 4.85% Non-Cumulative	12,000,000	300	12,000,000	300
Series I, 4.50% Non-Cumulative	12,000,000	300	12,000,000	300
Series L, 5.65% Non-Cumulative	6,800,000	170	6,800,000	170
Series M, 5.80% Non-Cumulative	6,000,000	150	6,000,000	150
Series N, 1.749% Non-Cumulative Rate Reset	10,000,000	250	10,000,000	250
Series P, 5.40% Non-Cumulative	10,000,000	250	10,000,000	250
Series Q, 5.15% Non-Cumulative	8,000,000	200	8,000,000	200
Series R, 4.80% Non-Cumulative	8,000,000	200	8,000,000	200
Series S, 5.25% Non-Cumulative	8,000,000	200	8,000,000	200
Series T, 5.15% Non-Cumulative	8,000,000	200	8,000,000	200
Series Y, 4.50% Non-Cumulative	8,000,000	200	8,000,000	200
Series Z, 5.70% Non-Cumulative	8,000,000	200	—	—
Total	116,800,000	\$ 2,920	108,800,000	\$ 2,720
Common shares				
Balance, beginning of year	932,107,643	\$ 6,071	932,427,987	\$ 6,000
Shares exercised and issued under share-based payment plans	2,662,377	99	2,379,656	88
Shares purchased and cancelled under normal course issuer bid	(28,438,145)	(1,625)	(2,700,000)	(114)
Excess of redemption proceeds over stated capital per normal course issuer bid	—	1,438	—	97
Balance, end of year	906,331,875	\$ 5,983	932,107,643	\$ 6,071

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

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

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

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

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

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

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

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

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

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

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

Series Z, 5.70% Non-Cumulative First Preferred Shares

On September 24, 2025, the Company issued 8,000,000, 5.70% Non-Cumulative First Preferred Shares, Series Z at \$25.00 per share for gross proceeds of \$200. The shares are redeemable at the option of the Company on or after September 30, 2030 for \$25.00 plus a premium if redeemed prior to September 30, 2034, in each case together with all declared and unpaid dividends up to but excluding the date of redemption. Transaction costs incurred in connection with the preferred share issue of \$5 (\$4 after-tax) were charged to accumulated surplus.

Series N, Non-Cumulative 5-Year Rate Reset First Preferred Shares

On November 13, 2025, the Company announced that it did not intend to exercise its rights to redeem the 10,000,000 then outstanding Series N, Non-Cumulative 5-Year Rate Reset First Preferred Shares (Series N Shares). As a result and subject to certain conditions set out in the terms and conditions attached to the shares, holders of Series N Shares had the right to convert all or any of their Series N Shares into Series O, Non-Cumulative Floating Rate First Preferred Shares (Series O Shares) on a one-for-one basis on December 31, 2025.

On December 17, 2025, the Company announced that holders of 6,425 Series N Shares elected to convert their shares into Series O Shares. After taking into account all shares tendered for conversion, there would be less than 1,000,000 Series O Shares outstanding on December 31, 2025. As a result and in accordance with the terms and conditions of the shares, no Series N Shares were converted into Series O Shares. The Series N Shares carry an annual fixed non-cumulative dividend rate of 4.090% up to but excluding December 31, 2030 (1.749% up to but excluding December 31, 2025) and are redeemable at the option of the Company on December 31, 2030 and on December 31 every five years thereafter for \$25.00 per share plus all declared and unpaid dividends up to but excluding the date of redemption.

Normal Course Issuer Bid

On January 2, 2025, the Company announced the renewal of its normal course issuer bid (NCIB) for the period commencing January 6, 2025 and ending January 5, 2026 to purchase for cancellation up to but not more than 20,000,000 of its common shares at market prices. On September 3, 2025, the Company announced an amendment to its 2025 NCIB to increase the maximum number of common shares that may be repurchased to 40,000,000. In addition, the Toronto Stock Exchange approved an amendment that permitted the Company to purchase its shares from Power Financial Corporation and certain of its wholly-owned subsidiaries (collectively, PFC) in connection with the 2025 NCIB, in order for PFC to approximately maintain its proportionate percentage ownership in the Company. The NCIB amendments became effective on September 5, 2025.

During the year ended December 31, 2025, the Company repurchased and subsequently cancelled 28,438,145 common shares under the 2025 NCIB at a cost of \$1,625 (2,700,000 common shares at a cost of \$114 for the year ended December 31, 2024, under the previous NCIB). The Company's share capital was reduced by the average carrying value of the shares repurchased for cancellation. The excess paid over the average carrying value, including associated taxes and other related fees, was \$1,466 and was recognized as a reduction to accumulated surplus for the year ended December 31, 2025 (\$97 for the year ended December 31, 2024, under the previous NCIB).

On January 2, 2026, the Company announced the renewal of its NCIB commencing January 6, 2026 and terminating January 5, 2027 to purchase for cancellation up to but not more than 20,000,000 of its common shares at market prices. The renewed NCIB continues to permit the Company to purchase its shares from PFC in order for PFC to approximately maintain its proportionate percentage ownership in the Company.

23. Earnings Per Common Share

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

	2025	2024
Earnings		
Net earnings from continuing operations before preferred share dividends and other equity distributions	\$ 4,120	\$ 4,141
Preferred share dividends and other equity distributions	(160)	(130)
Net earnings from continuing operations	3,960	4,011
Net loss from discontinued operations	—	(115)
Net gain from disposal of discontinued operations	—	44
Net earnings - common shareholders	\$ 3,960	\$ 3,940
Number of common shares		
Average number of common shares outstanding	924,036,871	932,083,891
Add: Potential exercise of outstanding stock options	4,731,435	3,036,627
Average number of common shares outstanding - diluted basis	928,768,306	935,120,518
Basic earnings per common share	\$ 4.29	\$ 4.23
Diluted earnings per common share	\$ 4.26	\$ 4.21
Basic earnings per common share from continuing operations	\$ 4.29	\$ 4.30
Diluted earnings per common share from continuing operations	\$ 4.26	\$ 4.29
Dividends per common share	\$ 2.440	\$ 2.220

24. Capital Management

(a) Policies and Objectives

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

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

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

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

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

(b) Regulatory Capital

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

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

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

	2025	2024
Tier 1 Capital	\$ 21,061	\$ 20,142
Tier 2 Capital	7,667	5,253
Total Available Capital	28,728	25,395
Surplus Allowance and Eligible Deposits	5,155	5,130
Total Capital Resources	\$ 33,883	\$ 30,525
Required Capital	\$ 26,541	\$ 23,516
Total LICAT Ratio (OSFI Supervisory Target = 100%)¹	128 %	130 %

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

For entities based in Europe, the local solvency capital regime is the Solvency II/UK basis. At December 31, 2025 and December 31, 2024, all European regulated entities met the capital and solvency requirements as prescribed under Solvency II/UK.

Empower is subject to the risk-based capital regulatory regime in the U.S. Other foreign operations and foreign subsidiaries of the Company are required to comply with local capital or solvency requirements in their respective jurisdictions. At December 31, 2025 and December 31, 2024, the Company maintained capital levels above the minimum local regulatory requirements in each of its foreign operations.

25. Share-Based Payments**(a) Stock Option Plan**

The Company has a stock option plan (the Plan) pursuant to which options to subscribe for common shares of Lifeco may be granted to certain officers and employees of Lifeco and its affiliates. The Company's Human Resources Committee (the Committee) administers the Plan and, subject to the specific provisions of the Plan, fixes the terms and conditions upon which options are granted. The exercise price of each option granted under the Plan is fixed by the Committee, but cannot under any circumstances be less than the weighted average trading price per Lifeco common share on the Toronto Stock Exchange for the five trading days preceding the date of the grant. Options granted prior to January 1, 2019 vested over a period of five years. Options granted on or after January 1, 2019 vest 50% three years after the grant date and 50% four years after the grant date. Options have a maximum exercise period of ten years from the grant date. Termination of employment may, in certain circumstances, result in forfeiture of the options, unless otherwise determined by the Committee. In 2025, the maximum number of Lifeco common shares issuable under the Plan was 81,000,000 (72,500,000 in 2024).

During 2025, 2,380,098 common share options were granted (2,673,400 during 2024). The weighted average fair value of common share options granted during 2025 was \$7.32 per option (\$5.43 in 2024). The fair value of each common share option was estimated using the Black-Scholes option-pricing model with the following weighted average assumptions used for those options granted in 2025: dividend yield 4.59% (5.26% in 2024), expected volatility 19.84% (19.08% in 2024), risk-free interest rate 2.85% (3.43% in 2024), and expected life of eight years (eight years in 2024).

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

	2025		2024	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding, beginning of year	15,591,082	\$ 36.03	15,564,488	\$ 34.63
Granted	2,380,098	53.17	2,673,400	42.24
Exercised	(2,662,377)	34.16	(2,379,656)	33.83
Forfeited/expired	(545,400)	38.22	(267,150)	36.27
Outstanding, end of year	14,763,403	\$ 39.05	15,591,082	\$ 36.03
Options exercisable at end of year	6,202,955	\$ 33.35	6,987,132	\$ 32.99

The weighted average share price at the date of exercise of stock options for the year ended December 31, 2025 was \$56.74 (\$45.37 in 2024).

Compensation expense due to the Plan transactions accounted for as equity-settled share-based payments of \$12 after-tax in 2025 (\$12 after-tax in 2024) has been recognized in the Consolidated Statements of Earnings.

The following summarizes information on the ranges of exercise prices including weighted average remaining contractual life at December 31, 2025:

Exercise price ranges	Outstanding			Exercisable		
	Options	Weighted average remaining contractual life	Weighted average exercise price	Options	Weighted average exercise price	Expiry
\$32.10 - \$35.17	208,271	0.19	\$ 34.55	208,271	\$ 34.55	2026
\$30.28 - \$36.87	512,900	1.24	\$ 36.01	512,900	\$ 36.01	2027
\$30.28 - \$34.21	615,850	2.21	\$ 33.87	615,850	\$ 33.87	2028
\$30.28 - \$32.50	1,573,700	3.20	\$ 30.86	1,573,700	\$ 30.86	2029
\$32.10 - \$32.22	953,800	4.16	\$ 32.22	953,800	\$ 32.22	2030
\$32.10 - \$37.02	1,438,150	5.16	\$ 32.15	1,438,150	\$ 32.15	2031
\$31.59 - \$38.71	1,925,134	6.16	\$ 38.68	900,284	\$ 38.64	2032
\$36.69 - \$38.87	2,649,100	7.16	\$ 36.83	—	\$ —	2033
\$42.22 - \$42.87	2,506,400	8.16	\$ 42.25	—	\$ —	2034
\$51.51 - \$55.17	2,380,098	9.21	\$ 53.17	—	\$ —	2035

(b) Deferred Share Unit Plans

The Company and certain of its subsidiaries have Deferred Share Units (DSUs) in which the Directors and certain employees of the Company are entitled to participate. The qualified Directors must receive part of their annual Board retainer in DSUs. The Directors can choose the remainder compensations to be paid in a combination of cash and DSUs. The qualified employees may elect to receive DSUs as settlement of their annual incentive plan or PSU plan. All participants receive additional DSUs for dividends payable on the Company's common shares based on the value of a DSU at the dividend payment date. DSUs are redeemable when an individual ceases to be a Director, or as applicable, an officer, or employee of the Company or any of its affiliates by a lump sum cash payment, based on the weighted average trading price per Lifeco common share on the TSX for the last five trading days preceding the date of redemption. In 2025, the Company recognized compensation expense of \$27 (\$20 in 2024) for the DSU Plan recorded in operating and administrative expenses in the Consolidated Statements of Earnings. At December 31, 2025, the carrying value of the DSU liability is \$247 (\$190 in 2024) recorded within other liabilities.

(c) Performance Share Unit Plan

Certain employees of the Company are entitled to receive Performance Share Units (PSUs). Under the PSU Plan, these employees are granted PSUs equivalent to the Company's common shares vesting over a three-year period. Employees receive additional PSUs in respect of dividends payable on the common shares based on the value of a PSU at that time. At the maturity date, employees receive cash representing the value of the PSU at this date. The Company uses the fair-value based method to account for the PSUs granted to employees under the plan. For the year ended December 31, 2025, the Company recognized compensation expense, excluding the impact of hedging, of \$360 (\$179 in 2024) for the PSU Plan recorded in operating and administrative expenses in the Consolidated Statements of Earnings. At December 31, 2025, the carrying value of the PSU liability is \$571 (\$324 in 2024) recorded within other liabilities.

(d) Employee Share Ownership Plan

The Company's Employee Share Ownership Plan (ESOP) is a voluntary plan where eligible employees can contribute up to 5% of their previous year's eligible earnings to purchase common shares of Lifeco. The Company matches 50% of the total employee contributions. The contributions from the Company vest immediately and are expensed. For the year ended December 31, 2025, the Company recognized compensation expense of \$15 (\$14 in 2024) for the ESOP recorded in operating and administrative expenses in the Consolidated Statements of Earnings.

(e) PanAgora Management Equity Plan

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

Compensation expense recorded for the year ended December 31, 2025 related to restricted Class C Shares and stock appreciation rights was \$11 (\$14 in 2024) and is included as a component of operating and administrative expenses in the Consolidated Statements of Earnings.

26. Pension Plans and Other Post-Employment Benefits

Characteristics, Funding and Risk

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

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

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

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

The Company's subsidiaries have pension and benefit committees or a trustee arrangement that provides oversight for the benefit plans. The benefit plans are monitored on an ongoing basis to assess the benefit, funding and investment policies, financial status, and funding requirements. Significant changes to a subsidiary company's benefit plans require approval from that company's Board of Directors.

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

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

Notes to the Consolidated Financial Statements

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

(a) Plan Assets, Benefit Obligation and Funded Status

	Defined benefit pension plans		Other post-employment benefits	
	2025	2024	2025	2024
Change in fair value of plan assets				
Fair value of plan assets, beginning of year	\$ 6,645	\$ 6,517	\$ —	\$ —
Interest income	297	280	—	—
Actual return over (less than) interest income	(102)	88	—	—
Employer contributions	(21)	(8)	19	21
Employee contributions	21	22	—	—
Benefits paid	(345)	(304)	(19)	(21)
Settlements	(2)	(56)	—	—
Administrative expenses	(6)	(8)	—	—
Net transfer in	—	1	—	—
Foreign exchange rate changes	135	113	—	—
Fair value of plan assets, end of year	\$ 6,622	\$ 6,645	\$ —	\$ —
Change in defined benefit obligation				
Defined benefit obligation, beginning of year	\$ 6,245	\$ 6,275	\$ 253	\$ 256
Current service cost	42	44	2	2
Interest cost	280	272	11	12
Employee contributions	21	22	—	—
Benefits paid	(345)	(304)	(19)	(21)
Curtailments and termination benefits	(4)	—	—	—
Settlements	(2)	(58)	—	—
Actuarial loss (gain) on financial assumption changes	(378)	(159)	(1)	—
Actuarial loss (gain) on demographic assumption changes	94	1	9	—
Actuarial loss (gain) arising from member experience	(2)	42	(4)	3
Foreign exchange rate changes	123	110	(1)	1
Defined benefit obligation, end of year	\$ 6,074	\$ 6,245	\$ 250	\$ 253
Asset (liability) recognized on the Consolidated Balance Sheets				
Funded status of plans - surplus (deficit)	\$ 548	\$ 400	\$ (250)	\$ (253)
Unrecognized amount due to asset ceiling	(182)	(151)	—	—
Asset (liability) recognized on the Consolidated Balance Sheets	\$ 366	\$ 249	\$ (250)	\$ (253)
Recorded in:				
Other assets (note 11)	\$ 589	\$ 493	\$ —	\$ —
Other liabilities (note 20)	(223)	(244)	(250)	(253)
Asset (liability) recognized on the Consolidated Balance Sheets	\$ 366	\$ 249	\$ (250)	\$ (253)
Analysis of defined benefit obligation				
Wholly or partly funded plans	\$ 5,839	\$ 6,008	\$ —	\$ —
Wholly unfunded plans	\$ 235	\$ 237	\$ 250	\$ 253

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

	Defined benefit pension plans	
	2025	2024
Change in asset ceiling		
Asset ceiling, beginning of year	\$ 151	\$ 202
Interest on asset ceiling	6	8
Change in asset ceiling	16	(63)
Foreign exchange rate changes	9	4
Asset ceiling, end of year	\$ 182	\$ 151

(b) Pension and Other Post-Employment Benefits Expense

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

	All pension plans		Other post-employment benefits	
	2025	2024	2025	2024
Defined benefit current service cost	\$ 63	\$ 66	\$ 2	\$ 2
Defined contribution current service cost	260	232	—	—
Employee contributions	(21)	(22)	—	—
Employer current service cost	302	276	2	2
Administrative expense	6	8	—	—
Curtailments	(4)	—	—	—
Settlements	—	(2)	—	—
Net interest cost	(11)	—	11	12
Expense - profit or loss	293	282	13	14
Actuarial (gain) loss recognized	(286)	(116)	4	3
Return on assets (greater) less than assumed	101	(88)	—	—
Change in the asset ceiling	16	(63)	—	—
Re-measurements - other comprehensive (income) loss	(169)	(267)	4	3
Total (income) expense including re-measurements	\$ 124	\$ 15	\$ 17	\$ 17

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

	Defined benefit pension plans	
	2025	2024
Equity securities	35%	37%
Debt securities	56%	54%
Real estate	5%	6%
Cash and cash equivalents	4%	3%
Total	100%	100%

No plan assets are directly invested in the Company's or related parties' securities. Plan assets include investments in segregated funds and other funds managed by subsidiaries of the Company of \$5,972 at December 31, 2025 and \$5,971 at December 31, 2024, of which \$5,972 (\$5,970 at December 31, 2024) are included on the Consolidated Balance Sheets. Plan assets do not include any property occupied or other assets used by the Company.

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

	Defined benefit pension plans		Other post-employment benefits	
	2025	2024	2025	2024
Benefit obligation without future salary increases	\$ 5,694	\$ 5,799	\$ 250	\$ 253
Effect of assumed future salary increases	380	446	—	—
Defined benefit obligation	\$ 6,074	\$ 6,245	\$ 250	\$ 253

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

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

	Defined benefit pension plans		Other post-employment benefits	
	2025	2024	2025	2024
Benefit obligation without future pension increases	\$ 5,490	\$ 5,585	\$ 250	\$ 253
Effect of assumed future pension increases	584	660	—	—
Defined benefit obligation	\$ 6,074	\$ 6,245	\$ 250	\$ 253

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

(iii) Maturity Profile of Plan Membership

	Defined benefit pension plans		Other post-employment benefits	
	2025	2024	2025	2024
Actives	33 %	35 %	11 %	14 %
Deferred vesteds	16 %	16 %	n/a	n/a
Retirees	51 %	49 %	89 %	86 %
Total	100 %	100 %	100 %	100 %
Weighted average duration of defined benefit obligation	13.9 years	14.8 years	9.3 years	9.9 years

(e) Cash Flow Information

	Pension plans	Other post-employment benefits	Total
Expected employer contributions for 2026:			
Funded (wholly or partly) defined benefit plans	\$ (39)	\$ —	\$ (39)
Unfunded plans	17	19	36
Defined contribution plans	267	—	267
Total	\$ 245	\$ 19	\$ 264

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

	Defined benefit pension plans		Other post-employment benefits	
	2025	2024	2025	2024
To determine benefit cost:				
Discount rate - past service liabilities	4.5 %	4.4 %	4.7 %	4.7 %
Discount rate - future service liabilities	4.8 %	4.6 %	5.7 %	5.0 %
Rate of compensation increase	3.4 %	3.4 %	—	—
Future pension increases ¹	2.0 %	2.1 %	—	—
To determine defined benefit obligation:				
Discount rate - past service liabilities	4.9 %	4.5 %	4.8 %	4.7 %
Rate of compensation increase	3.3 %	3.4 %	—	—
Future pension increases ¹	2.0 %	2.0 %	—	—
Medical cost trend rates:				
Initial medical cost trend rate			4.7 %	4.7 %
Ultimate medical cost trend rate			4.1 %	4.1 %
Year ultimate trend rate is reached			2039	2039

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

(ii) Sample Life Expectancies Based on Mortality Assumptions

	Defined benefit pension plans		Other post-employment benefits	
	2025	2024	2025	2024
Sample life expectancies based on mortality assumption:				
Male				
Age 65 in fiscal year	23.4	22.9	23.5	22.8
Age 65 for those age 35 in the fiscal year	25.6	24.8	25.6	24.2
Female				
Age 65 in fiscal year	25.7	25.0	26.0	25.0
Age 65 for those age 35 in the fiscal year	27.8	26.9	27.9	26.5

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

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

The calculation of the defined benefit obligation is sensitive to the mortality assumptions. The effect of a one-year increase in life expectancy would be an increase in the defined benefit obligation of \$172 for the defined benefit pension plans and \$7 for other post-employment benefits (\$174 and \$6 in 2024, respectively).

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

	1% increase		1% decrease	
	2025	2024	2025	2024
Defined benefit pension plans:				
Impact of a change to the discount rate	\$ (720)	\$ (787)	\$ 899	\$ 997
Impact of a change to the rate of compensation increase	145	170	(133)	(154)
Impact of a change to the rate of inflation	335	344	(296)	(304)
Other post-employment benefits:				
Impact of a change to assumed medical cost trend rates	13	15	(12)	(13)
Impact of a change to the discount rate	(20)	(22)	24	26

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

27. Accumulated Other Comprehensive Income

	2025				2024			
	Balance, beginning of year	Other comprehensive income (loss)	Income tax	Balance, end of year	Balance, beginning of year	Other comprehensive income (loss)	Income tax	Balance, end of year
Unrealized foreign exchange gains (losses) on translation of foreign operations	\$ 2,756	\$ (208)	\$ —	\$ 2,548	\$ 1,343	\$ 1,413	\$ —	\$ 2,756
Foreign exchange translation gains reclassified to earnings on disposal of foreign operations	(211)	—	—	(211)	—	(211)	—	(211)
Unrealized gains (losses) on hedges of the net investment in foreign operations	(116)	(243)	(1)	(360)	16	(172)	40	(116)
Unrealized gains (losses) on bonds and mortgages at FVOCI	(258)	122	(18)	(154)	(383)	160	(35)	(258)
Unrealized gains (losses) on cash flow hedges	30	46	(13)	63	28	3	(1)	30
Unrealized gains (losses) on stocks at FVOCI	(409)	155	—	(254)	—	(409)	—	(409)
Re-measurements on defined benefit pension and other post-employment benefit plans	13	165	(45)	133	(179)	264	(72)	13
Revaluation surplus on transfer to investment properties	10	—	—	10	10	—	—	10
Total	1,815	37	(77)	1,775	835	1,048	(68)	1,815
Non-controlling interests	(39)	8	(2)	(33)	55	(130)	36	(39)
Shareholders	\$ 1,776	\$ 45	\$ (79)	\$ 1,742	\$ 890	\$ 918	\$ (32)	\$ 1,776

28. Related Party Transactions

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

(a) Principal Subsidiaries

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

Company	Incorporated in	Primary business operation	% Held
The Canada Life Assurance Company	Canada	Insurance and wealth management	100.00%
Empower Annuity Insurance Company of America	United States	Financial services	100.00%

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

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

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

The Company owns 9,200,407 shares, held through Canada Life, representing a 3.90% ownership interest in IGM. The Company uses the equity method to account for its investment in IGM as it exercises significant influence. In 2025, the Company recognized \$37 (\$41 in 2024) for the equity method share of IGM net earnings and received dividends of \$20 (\$21 in 2024) from its investment in IGM (note 6).

Segregated funds of the Company were invested in funds managed by IG Wealth Management and Mackenzie Investments. Mackenzie Investments also manages certain of the Company's portfolio investments. The Company also has interests in mutual funds, open-ended investment companies and unit trusts. Some of these funds are sub-advised by related parties of the Company, who are paid sub-advisory fees related to these services. During 2025, the Company and its subsidiaries made additional investments in funds managed by related parties. All transactions were provided at market terms and conditions (note 17).

The Company held debentures issued by IGM with a carrying value of \$89 at December 31, 2025 (\$90 at December 31, 2024).

Power Corporation also controls Sagard Holdings Inc. (Sagard), a multi-strategy alternative asset manager, Power Sustainable Manager Inc. (Power Sustainable), a global multi-platform alternative asset manager, and Portage Ventures (Portage), a global fintech venture capital investment entity. Lifeco has a minority investment in Sagard and a long-term strategic partnership with Power Sustainable. Lifeco and Mackenzie Financial Corporation, a wholly-owned subsidiary of IGM, are investors in Northleaf Capital Partners Ltd. (Northleaf), a global private equity, private credit and infrastructure fund manager. The Company and its subsidiaries invest in funds and debt instruments managed by Sagard, Power Sustainable, Portage and Northleaf. Sagard also provides certain sub-advisory and property management services to the Company and its subsidiaries.

On September 3, 2025, the Toronto Stock Exchange approved an amendment that permitted the Company to purchase its shares from Power Financial Corporation and certain of its wholly-owned subsidiaries (collectively, PFC) in connection with the 2025 NCIB (note 22). During 2025, the Company repurchased and subsequently cancelled 12,801,349 common shares held by PFC under the 2025 NCIB at a cost of \$768.

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

(c) Key Management Compensation

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

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

	2025	2024 ¹
Salary	\$ 17	\$ 17
Share-based awards	44	27
Option-based awards	11	9
Annual non-equity incentive plan compensation	13	14
Pension value	1	—
Other	5	4
Total	\$ 91	\$ 71

¹ Certain comparative figures were reclassified to conform with current year's presentation.

29. Income Taxes

(a) Components of the Income Tax Expense

(i) Income Tax Recognized in Consolidated Statements of Earnings

	2025	2024
Current income tax		
Current income tax	\$ 633	\$ 771
Global Minimum Tax (GMT)	150	113
Total current income tax	\$ 783	\$ 884
Deferred income tax		
Origination and reversal of temporary differences	\$ (215)	\$ (138)
Effect of changes in tax rates or imposition of new taxes	(3)	—
Tax expense (recovery) arising from unrecognized tax losses, tax credits or temporary differences	(31)	(9)
Total deferred income tax	\$ (249)	\$ (147)
Total income tax expense	\$ 534	\$ 737

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

	2025	2024
Current income tax expense (recovery)	\$ 17	\$ (12)
Deferred income tax expense (recovery)	60	80
Total	\$ 77	\$ 68

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

	2025	2024
Current income tax expense (recovery)	\$ 25	\$ —
Deferred income tax expense (recovery)	—	—
Total	\$ 25	\$ —

(b) Effective Income Tax Rate

The effective income tax rate reported in the Consolidated Statements of Earnings varies from the combined Canadian federal and provincial income tax rate of 28.00% for the following items:

	2025		2024	
Earnings before income taxes	\$ 4,695		\$ 4,981	
Combined basic Canadian federal and provincial tax rate	1,315	28.00 %	1,395	28.00 %
Increase (decrease) in the income tax rate resulting from:				
Non-taxable investment income	(285)	(6.07)	(342)	(6.86)
Operations outside of Canada subject to a lower average foreign tax rate	(485)	(10.33)	(436)	(8.75)
Impact of rate changes on deferred income taxes	(3)	(0.06)	—	—
Other	(158)	(3.36)	7	0.14
Total income tax expense and effective income tax rate excluding GMT	\$ 384	8.18 %	\$ 624	12.53 %
Global Minimum Tax	150	3.19	113	2.27
Total income tax expense and effective income tax rate	\$ 534	11.37 %	\$ 737	14.80 %
Total income tax expense and effective income tax rate - common shareholders	\$ 605	12.80 %	\$ 815	16.46 %

(c) Composition and Changes in Net Deferred Income Tax Assets

	2025						
	Insurance and investment contract liabilities	Portfolio investments	Losses carried forward	Intangible assets	Tax credits	Other	Total
Balance, beginning of year	\$ (2,620)	\$ 2,422	\$ 1,384	\$ (472)	\$ 221	\$ 297	\$ 1,232
Recognized in Consolidated Statements of Earnings	781	(693)	145	(2)	(85)	103	249
Recognized in Consolidated Statements of Comprehensive Income	—	(17)	—	—	—	(43)	(60)
Acquired in business combinations	—	—	—	—	—	—	—
Other and foreign exchange rate changes	197	(84)	(62)	34	(8)	(150)	(73)
Balance, end of year	\$ (1,642)	\$ 1,628	\$ 1,467	\$ (440)	\$ 128	\$ 207	\$ 1,348

	2024						
	Insurance and investment contract liabilities	Portfolio investments	Losses carried forward	Intangible assets	Tax credits	Other	Total
Balance, beginning of year	\$ (2,727)	\$ 2,437	\$ 1,545	\$ (783)	\$ 237	\$ 352	\$ 1,061
Recognized in Consolidated Statements of Earnings	358	(184)	(262)	355	(28)	(92)	147
Recognized in Consolidated Statements of Comprehensive Income	—	(8)	—	—	—	(72)	(80)
Acquired in business combinations	—	(59)	—	(25)	(1)	(10)	(95)
Other and foreign exchange rate changes	(251)	236	101	(19)	13	119	199
Balance, end of year	\$ (2,620)	\$ 2,422	\$ 1,384	\$ (472)	\$ 221	\$ 297	\$ 1,232

Recorded on Consolidated Balance Sheets:

	2025	2024
Deferred tax assets	\$ 2,285	\$ 2,066
Deferred tax liabilities	(937)	(834)
Total	\$ 1,348	\$ 1,232

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

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

Management assesses the recoverability of the deferred income tax assets carrying values based on future years' taxable income projections and believes the carrying values of the deferred income tax assets as of December 31, 2025 are recoverable.

At December 31, 2025, the Company has recognized a deferred tax asset of \$1,467 (\$1,384 at December 31, 2024) on tax loss carryforwards totaling \$6,515, of which \$407 expire between 2026 and 2045 while \$6,108 have no expiry date. The Company will realize this benefit in future years through a reduction in current income taxes payable.

The Company has not recognized a deferred tax asset of \$145 (\$183 in 2024) on tax loss carryforwards totaling \$610 (\$799 in 2024). Of this amount, \$273 expire between 2026 and 2045 while \$337 have no expiry date. In addition, the Company has not recognized a deferred tax asset of \$85 (\$116 in 2024) on other temporary differences of \$359 (\$473 in 2024).

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

The Company has applied the mandatory temporary exception in IAS 12, *Income Taxes* from recognizing and disclosing deferred tax assets and liabilities related to the GMT.

30. Derivative Financial Instruments and Hedging

In the normal course of managing exposure to fluctuations in interest and foreign exchange rates, and to market risks, the Company is an end-user of various derivative financial instruments. It is the Company's policy to transact in derivatives only with the most creditworthy financial intermediaries. Note 7 discloses the credit quality of the Company's exposure to counterparties. Credit risk equivalent amounts are presented net of eligible collateral received of \$290 as at December 31, 2025 (\$440 at December 31, 2024).

(a) Summary of the Derivative Portfolio and Related Credit Exposure Using OSFI's Prescribed Definitions of Risk

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

	2025					2024				
	Notional amount	Maximum credit risk	Future credit exposure	Credit risk equivalent	Risk weighted equivalent	Notional amount	Maximum credit risk	Future credit exposure	Credit risk equivalent	Risk weighted equivalent
Interest rate contracts										
Swaps	\$ 11,618	\$ 149	\$ 134	\$ 269	\$ 5	\$ 9,355	\$ 186	\$ 104	\$ 247	\$ 4
Futures - short	153	—	—	—	—	159	—	—	—	—
Options purchased	4,246	38	52	54	1	3,239	90	37	43	1
Bond forward	372	1	6	6	—	—	—	—	—	—
	16,389	188	192	329	6	12,753	276	141	290	5
Foreign exchange contracts										
Cross-currency swaps	36,447	1,243	2,290	3,327	60	36,047	1,971	2,219	3,886	67
Forward contracts	11,825	135	184	294	2	8,821	48	110	150	1
	48,272	1,378	2,474	3,621	62	44,868	2,019	2,329	4,036	68
Other derivative contracts										
Equity contracts	1,831	271	119	390	1	2,564	107	170	275	1
Futures - long	18	—	—	—	—	14	—	—	—	—
Futures - short	688	2	—	—	—	599	—	—	—	—
Equity options-purchased	2,894	23	202	225	1	—	—	—	—	—
Equity options-written	—	—	—	—	—	1,509	28	121	149	1
Credit default swaps	685	1	—	—	—	759	1	—	—	—
	6,116	297	321	615	2	5,445	136	291	424	2
Total	\$ 70,777	\$ 1,863	\$ 2,987	\$ 4,565	\$ 70	\$ 63,066	\$ 2,431	\$ 2,761	\$ 4,750	\$ 75

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

	2025					
	Notional amount				Carrying value	
	1 year or less	1-5 years	Over 5 years	Total	Assets	Liabilities
Derivatives not designated as accounting hedges						
Interest rate contracts						
Swaps	\$ 813	\$ 2,799	\$ 7,988	\$ 11,600	\$ 148	\$ (559)
Futures - short	153	—	—	153	—	—
Options purchased	206	822	3,218	4,246	38	—
Bond forward	—	—	372	372	1	(6)
	1,172	3,621	11,578	16,371	187	(565)
Foreign exchange contracts						
Cross-currency swaps	3,462	8,688	22,011	34,161	1,232	(1,549)
Forward contracts	8,139	506	—	8,645	91	(30)
	11,601	9,194	22,011	42,806	1,323	(1,579)
Other derivative contracts						
Equity contracts	1,248	147	—	1,395	8	—
Futures - long	18	—	—	18	—	—
Futures - short	688	—	—	688	2	(3)
Equity options - purchased	1,459	1,435	—	2,894	23	—
Equity options - written	—	—	—	—	—	(103)
Credit default swaps	—	685	—	685	1	—
	3,413	2,267	—	5,680	34	(106)
Derivatives designated as accounting hedges						
Fair value hedges						
Foreign currency risk						
Foreign exchange contracts						
Forward contracts	81	—	—	81	2	—
	81	—	—	81	2	—
Cash flow hedges						
Interest rate risk						
Interest rate contracts						
Swaps	—	18	—	18	1	—
Foreign currency risk						
Foreign exchange contracts						
Cross-currency swaps	9	7	—	16	—	—
Equity risk						
Other derivative contracts						
Equity contracts	120	316	—	436	263	—
	129	341	—	470	264	—
Net investment hedges						
Foreign currency risk						
Foreign exchange contracts						
Cross-currency swaps	—	—	2,270	2,270	11	(152)
Forward contracts	1,971	1,128	—	3,099	42	(10)
	1,971	1,128	2,270	5,369	53	(162)
Total	\$ 18,367	\$ 16,551	\$ 35,859	\$ 70,777	\$ 1,863	\$ (2,412)

Notes to the Consolidated Financial Statements

	2024					
	Notional amount				Carrying value	
	1 year or less	1-5 years	Over 5 years	Total	Assets	Liabilities
Derivatives not designated as accounting hedges						
Interest rate contracts						
Swaps	\$ 886	\$ 2,329	\$ 6,121	\$ 9,336	\$ 185	\$(340)
Futures - short	159	—	—	159	—	—
Options purchased	216	864	2,159	3,239	90	—
	1,261	3,193	8,280	12,734	275	(340)
Foreign exchange contracts						
Cross-currency swaps	3,776	9,416	20,514	33,706	1,862	(1,402)
Forward contracts	5,835	7	—	5,842	11	(225)
	9,611	9,423	20,514	39,548	1,873	(1,627)
Other derivative contracts						
Equity contracts	1,631	557	—	2,188	4	(18)
Futures - long	14	—	—	14	—	—
Futures - short	599	—	—	599	—	—
Equity options - written	—	1,509	—	1,509	28	—
Credit default swaps	—	746	13	759	1	—
	2,244	2,812	13	5,069	33	(18)
Derivatives designated as accounting hedges						
Fair value hedges						
Foreign currency risk						
Foreign exchange contracts						
Forward contracts	79	—	—	79	—	(3)
	79	—	—	79	—	(3)
Cash flow hedges						
Interest rate risk						
Interest rate contracts						
Swaps	—	19	—	19	1	—
Foreign currency risk						
Foreign exchange contracts						
Cross-currency swaps	46	25	—	71	6	—
Equity risk						
Other derivative contracts						
Equity contracts	117	259	—	376	103	—
	163	303	—	466	110	—
Net investment hedges						
Foreign currency risk						
Foreign exchange contracts						
Cross-currency swaps	—	—	2,270	2,270	103	(61)
Forward contracts	2,353	547	—	2,900	37	(88)
	2,353	547	2,270	5,170	140	(149)
Total	\$ 15,711	\$ 16,278	\$ 31,077	\$ 63,066	\$ 2,431	\$(2,137)

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

(c) Derivatives Designated as Accounting Hedges

The following provides further details on the derivatives designated as accounting hedges:

Exchange rates and share prices expressed in dollar terms

	2025			
	Notional amount			
	1 year or less	1-5 years	Over 5 years	Total
Fair value hedges				
Foreign currency risk				
Foreign exchange contracts				
Forward contracts	\$ 81	\$ —	\$ —	\$ 81
Weighted average USD-CAD exchange rate	1.41	—	—	1.41
Cash flow hedges				
Interest rate risk				
Interest rate contracts				
Swaps	\$ —	\$ 18	\$ —	\$ 18
Weighted average fixed interest rate	— %	5.23 %	— %	5.23 %
Foreign currency risk				
Foreign exchange contracts				
Cross-currency swaps	\$ 9	\$ 7	\$ —	\$ 16
Weighted average USD-AUD exchange rate	—	—	—	—
Weighted average USD-CAD exchange rate	—	—	—	—
Weighted average USD-EUR exchange rate	0.92	—	—	0.92
Weighted average USD-GBP exchange rate	—	0.76	—	0.76
Equity risk				
Other derivative contracts				
Equity contracts	\$ 120	\$ 316	\$ —	\$ 436
Weighted average share price	36.69	47.53	—	43.75
Net investment hedges				
Foreign currency risk				
Foreign exchange contracts				
Cross-currency swaps	\$ —	\$ —	\$ 2,270	\$ 2,270
Weighted average EUR-CAD exchange rate	—	—	1.41	1.41
Weighted average GBP-CAD exchange rate	—	—	1.73	1.73
Forward contracts	\$ 1,971	\$ 1,128	\$ —	\$ 3,099
Weighted average USD-CAD exchange rate	1.37	1.37	—	1.37
Weighted average EUR-GBP exchange rate	0.87	0.87	—	0.87

Notes to the Consolidated Financial Statements

Exchange rates and share prices expressed in dollar terms

	2024			
	Notional amount			
	1 year or less	1-5 years	Over 5 years	Total
Fair value hedges				
Foreign currency risk				
Foreign exchange contracts				
Foreign exchange forward contracts	\$ 79	\$ —	\$ —	\$ 79
Weighted average USD-CAD exchange rate	1.37	—	—	1.37
Cash flow hedges				
Interest rate risk				
Interest rate contracts				
Swaps	\$ —	\$ 19	\$ —	\$ 19
Weighted average fixed interest rate	— %	5.23 %	— %	5.23 %
Foreign currency risk				
Foreign exchange contracts				
Cross-currency swaps	\$ 46	\$ 25	\$ —	\$ 71
Weighted average USD-AUD exchange rate	1.33	—	—	1.33
Weighted average USD-CAD exchange rate	1.26	—	—	1.26
Weighted average USD-EUR exchange rate	0.91	0.92	—	0.91
Weighted average USD-GBP exchange rate	0.76	0.76	—	0.76
Equity risk				
Other derivative contracts				
Equity contracts	\$ 117	\$ 259	\$ —	\$ 376
Weighted average share price	38.71	39.40	—	39.17
Net investment hedges				
Foreign currency risk				
Foreign exchange contracts				
Cross-currency swaps	\$ —	\$ —	\$ 2,270	\$ 2,270
Weighted average EUR-CAD exchange rate	—	—	1.41	1.41
Weighted average GBP-CAD exchange rate	—	—	1.73	1.73
Forward contracts	\$ 2,353	\$ 547	\$ —	\$ 2,900
Weighted average USD-CAD exchange rate	1.37	—	—	1.37
Weighted average EUR-GBP exchange rate	0.83	0.83	—	0.83

(d) Derivative Portfolio by Type of Instrument

Interest Rate Contracts

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

Foreign Exchange Contracts

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

Other Derivative Contracts

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

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

(e) Hedge Accounting

Fair Value Hedges

The ineffective portion of fair value hedges recognized in the net investment result, which includes foreign exchange contracts, was nil during 2025 and 2024.

Cash Flow Hedges

The ineffective portion of the cash flow hedges, which includes interest rate contracts, foreign exchange contracts, and equity total return swap contracts, was nil during 2025 and 2024, and the anticipated net gains (losses) expected to be reclassified out of accumulated other comprehensive income within the next twelve months is nil. The maximum time frame for which variable cash flows are hedged is 5 years.

Net Investment Hedges

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

	2025				
	Change in fair value of hedged items for ineffectiveness measurement	Change in fair value of hedging instruments for ineffectiveness measurement	Gains (losses) deferred in AOCI	Gains (losses) reclassified from AOCI into total investment result	Ineffectiveness recognized in total investment result
Euro denominated debt	\$ 120	\$ (120)	\$ (120)	\$ —	\$ —
Cross-currency swaps	145	(145)	(145)	—	—
Foreign exchange forward contracts	(44)	44	44	—	—
Total	\$ 221	\$ (221)	\$ (221)	\$ —	\$ —
	2024				
	Change in fair value of hedged items for ineffectiveness measurement	Change in fair value of hedging instruments for ineffectiveness measurement	Gains (losses) deferred in AOCI	Gains (losses) reclassified from AOCI into total investment result	Ineffectiveness recognized in total investment result
Euro denominated debt	\$ 30	\$ (30)	\$ (30)	\$ —	\$ —
Cross-currency swaps	85	(85)	(85)	—	—
Foreign exchange forward contracts	88	(88)	(88)	—	—
Total	\$ 203	\$ (203)	\$ (203)	\$ —	\$ —

31. Legal Provisions and Contingent Liabilities

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

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

A proposed class action was filed against a subsidiary of the Company in Canada and other third party defendants relating to the defendants' alleged use of a software application for setting rents in multi-family residential complexes. The plaintiff has agreed to discontinue the proposed class action on consent. The discontinuance is subject to Court approval.

32. Commitments

(a) Letters of Credit

Letters of credit are written commitments provided by a bank. The total amount of letter of credit facilities is U.S. \$1,723 of which U.S. \$889 were issued as of December 31, 2025 (U.S. \$1,717 of which U.S. \$941 were issued as of December 31, 2024).

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

(b) Investment Commitments

Commitments of investment transactions made in the normal course of operations in accordance with policies and guidelines that are to be disbursed upon fulfillment of certain contract conditions were \$7,391 as at December 31, 2025 (\$7,533 as at December 31, 2024), with \$7,066 maturing within one year, \$194 maturing within two years, \$46 maturing within three years, \$28 maturing within four years and \$57 maturing after 5 years.

(c) Pledged Assets

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

- The amount of assets included in the Company's balance sheet which have a security interest by way of pledging is \$3,577 (\$3,710 at December 31, 2024) in respect of reinsurance agreements.
- In addition, under certain reinsurance contracts, bonds presented in portfolio investments are held in trust and escrow accounts. Assets are placed in these accounts pursuant to the requirements of certain legal and contractual obligations to support contract liabilities assumed.
- The Company has pledged, in the normal course of business, \$68 (\$74 at December 31, 2024) of assets of the Company for the purpose of providing collateral for the counterparty.

33. Segmented Information

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

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

(a) Consolidated Net Earnings

	2025					
	United States	Canada	Europe	Capital and Risk Solutions	Corporate	Total
Segment revenue						
Insurance revenue ¹	\$ —	\$ 9,630	\$ 7,219	\$ 5,255	\$ 217	\$ 22,321
Net investment income ²	3,716	3,559	1,833	397	348	9,853
Changes in fair value on FVTPL assets ²	2,383	1,716	(13)	(350)	171	3,907
	6,099	14,905	9,039	5,302	736	36,081
Fee and other income ³	4,698	2,055	948	15	179	7,895
	10,797	16,960	9,987	5,317	915	43,976
Other insurance results						
Insurance service expenses	—	(6,503)	(6,191)	(4,287)	(258)	(17,239)
Net income (expenses) from reinsurance contracts	—	(1,510)	(123)	(36)	(34)	(1,703)
	—	(8,013)	(6,314)	(4,323)	(292)	(18,942)
Other investment results						
Net finance income (expenses) from insurance contracts	—	(4,619)	(1,469)	106	(373)	(6,355)
Net finance income (expenses) from reinsurance contracts	—	(16)	(280)	1	(31)	(326)
Changes in investment contract liabilities	(4,854)	(98)	(1)	(43)	(6)	(5,002)
	(4,854)	(4,733)	(1,750)	64	(410)	(11,683)
Net investment result - insurance contracts on account of segregated fund policyholders						
Net investment income (loss)	—	4,157	887	—	—	5,044
Net finance income (expenses) from insurance contracts	—	(4,157)	(887)	—	—	(5,044)
	—	—	—	—	—	—
Other income and expenses						
Operating and administrative expenses	(3,956)	(2,023)	(1,102)	(50)	(330)	(7,461)
Amortization of finite life intangible assets	(236)	(130)	(63)	(2)	(10)	(441)
Financing costs	(7)	—	—	(4)	(368)	(379)
Restructuring and integration expenses	(29)	(226)	(109)	(11)	—	(375)
Earnings (loss) before income taxes	1,715	1,835	649	991	(495)	4,695
Income taxes	279	334	40	130	(249)	534
Net earnings from continuing operations before non-controlling interests	1,436	1,501	609	861	(246)	4,161
Attributable to non-controlling interests	—	37	—	—	4	41
Net earnings from continuing operations before preferred share dividends and other equity distributions	1,436	1,464	609	861	(250)	4,120
Preferred share dividends and other equity distributions	—	—	—	—	160	160
Net earnings (loss) from continuing operations	1,436	1,464	609	861	(410)	3,960
Net loss from discontinued operations	—	—	—	—	—	—
Net gain from disposal of discontinued operations	—	—	—	—	—	—
Net earnings (loss) - common shareholders	\$ 1,436	\$ 1,464	\$ 609	\$ 861	\$ (410)	\$ 3,960

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

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

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

Notes to the Consolidated Financial Statements

	2024 ¹					
	United States	Canada	Europe	Capital and Risk Solutions	Corporate	Total
Segment revenue						
Insurance revenue ²	\$ —	\$ 9,460	\$ 6,588	\$ 4,935	\$ 231	\$ 21,214
Net investment income ³	3,716	3,785	1,509	366	307	9,683
Changes in fair value on FVTPL assets ³	364	2,881	(1,172)	(416)	19	1,676
	4,080	16,126	6,925	4,885	557	32,573
Fee and other income ⁴	4,256	1,927	915	14	112	7,224
	8,336	18,053	7,840	4,899	669	39,797
Other insurance results						
Insurance service expenses	—	(6,450)	(5,613)	(4,080)	(225)	(16,368)
Net income (expenses) from reinsurance contracts	—	(1,399)	(138)	(29)	(33)	(1,599)
	—	(7,849)	(5,751)	(4,109)	(258)	(17,967)
Other investment results						
Net finance income (expenses) from insurance contracts	—	(5,800)	15	12	(145)	(5,918)
Net finance income (expenses) from reinsurance contracts	—	(2)	28	1	(37)	(10)
Changes in investment contract liabilities	(2,770)	(153)	(2)	(4)	(3)	(2,932)
	(2,770)	(5,955)	41	9	(185)	(8,860)
Net investment result - insurance contracts on account of segregated fund policyholders						
Net investment income (loss)	—	5,280	1,548	—	—	6,828
Net finance income (expenses) from insurance contracts	—	(5,280)	(1,548)	—	—	(6,828)
	—	—	—	—	—	—
Other income and expenses						
Operating and administrative expenses	(3,759)	(1,967)	(926)	(31)	(367)	(7,050)
Amortization of finite life intangible assets	(220)	(123)	(61)	(2)	(9)	(415)
Financing costs	(7)	—	—	(5)	(390)	(402)
Restructuring and integration expenses	(73)	(23)	(26)	—	—	(122)
Earnings (loss) before income taxes	1,507	2,136	1,117	761	(540)	4,981
Income taxes	278	395	187	105	(228)	737
Net earnings (loss) from continuing operations before non-controlling interests	1,229	1,741	930	656	(312)	4,244
Attributable to non-controlling interests	—	101	—	—	2	103
Net earnings (loss) from continuing operations before preferred share dividends	1,229	1,640	930	656	(314)	4,141
Preferred share dividends	—	—	—	—	130	130
Net earnings (loss) from continuing operations	1,229	1,640	930	656	(444)	4,011
Net loss from discontinued operations	(115)	—	—	—	—	(115)
Net gain from disposal of discontinued operations	44	—	—	—	—	44
Net earnings (loss) - common shareholders	\$ 1,158	\$ 1,640	\$ 930	\$ 656	\$ (444)	\$ 3,940

¹ The Company has reclassified certain comparative figures to conform to the current period's presentation. These classifications had no impact on the equity, net earnings or cash flows of the Company.

² Included within insurance service result in the Consolidated Statements of Earnings.

³ Included within net investment result in the Consolidated Statements of Earnings.

⁴ Included within other income and expenses in the Consolidated Statements of Earnings.

During the first quarter of 2025, the Company realigned certain activities to Corporate from other operating segments of the Company. The adjustments had no impact on the total net earnings or cash flows of the Company. The comparative figures are reclassified to be consistent.

Revenue by Source Currency for Capital and Risk Solutions

	2025	2024
Revenue		
United States	\$ 1,565	\$ 1,422
United Kingdom	2,355	2,110
Japan	(226)	(68)
Other	1,623	1,435
Total revenue	\$ 5,317	\$ 4,899

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

(b) Consolidated Total Assets and Liabilities

	2025				
	United States	Canada	Europe	Capital and Risk Solutions	Total
Assets					
Invested assets	\$ 89,945	\$ 102,100	\$ 46,795	\$ 11,211	\$ 250,051
Insurance contract assets	315	445	534	277	1,571
Reinsurance contract held assets	11,818	1,224	3,705	103	16,850
Goodwill and intangible assets	6,283	6,734	3,178	—	16,195
Other assets	16,339	6,162	4,388	103	26,992
Investments on account of segregated fund policyholders	234,212	125,176	191,781	—	551,169
Total	\$ 358,912	\$ 241,841	\$ 250,381	\$ 11,694	\$ 862,828
Liabilities					
Insurance contract liabilities	\$ 17,632	\$ 91,645	\$ 45,504	\$ 6,863	\$ 161,644
Investment contract liabilities	84,620	3,456	377	589	89,042
Reinsurance contract held liabilities	158	321	397	43	919
Other liabilities	12,140	9,835	3,756	1,320	27,051
Insurance contracts on account of segregated fund policyholders	14,265	38,237	17,916	—	70,418
Investment contracts on account of segregated fund policyholders	219,947	86,939	173,865	—	480,751
Total	\$ 348,762	\$ 230,433	\$ 241,815	\$ 8,815	\$ 829,825

Notes to the Consolidated Financial Statements

	2024				
	United States	Canada	Europe	Capital and Risk Solutions	Total
Assets					
Invested assets	\$ 89,768	\$ 98,262	\$ 44,321	\$ 11,434	\$ 243,785
Insurance contract assets	335	434	353	71	1,193
Reinsurance contract held assets	12,756	1,216	3,746	124	17,842
Goodwill and intangible assets	6,667	6,645	3,074	—	16,386
Other assets	16,741	5,769	3,982	79	26,571
Investments on account of segregated fund policyholders	215,986	114,547	165,853	—	496,386
Total	\$ 342,253	\$ 226,873	\$ 221,329	\$ 11,708	\$ 802,163
Liabilities					
Insurance contract liabilities	\$ 18,881	\$ 87,250	\$ 42,066	\$ 7,486	\$ 155,683
Investment contract liabilities	85,470	3,698	330	659	90,157
Reinsurance contract held liabilities	159	283	313	40	795
Other liabilities	12,523	9,572	3,456	937	26,488
Insurance contracts on account of segregated fund policyholders	14,409	35,893	16,041	—	66,343
Investment contracts on account of segregated fund policyholders	201,577	78,654	149,812	—	430,043
Total	\$ 333,019	\$ 215,350	\$ 212,018	\$ 9,122	\$ 769,509

Assets by Source Currency for Capital and Risk Solutions

	2025	2024
Assets		
United States	\$ 4,702	\$ 4,792
United Kingdom	3,765	3,694
Japan	2,722	2,926
Other	505	296
Total assets	\$ 11,694	\$ 11,708

(c) CSM

	2025								
	Non-Participating (excluding Segregated Funds)					Segregated Funds			Par
United States	Canada	Europe	Capital and Risk Solutions	Total	Segregated Funds	Par	Total ¹		
CSM, beginning of year	\$ 55	\$ 690	\$ 3,664	\$ 2,436	\$ 6,845	\$ 3,268	\$ 3,255	\$ 13,368	
CSM recognized for services provided	(8)	(67)	(326)	(269)	(670)	(407)	(155)	(1,232)	
Contracts initially recognized in the year	—	40	267	100	407	126	109	642	
Changes in estimates that adjust the CSM	14	(168)	5	28	(121)	83	289	251	
Net finance (income) expenses from insurance contracts	2	18	91	65	176	(15)	—	161	
Effect of movement in exchange rates	(3)	—	165	70	232	120	(12)	340	
CSM, end of year	\$ 60	\$ 513	\$ 3,866	\$ 2,430	\$ 6,869	\$ 3,175	\$ 3,486	\$ 13,530	

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

Notes to the Consolidated Financial Statements

	2024								
	Non-Participating (excluding Segregated Funds)								
	United States	Canada	Europe	Capital and Risk Solutions	Total	Segregated Funds	Par	Total ¹	
CSM, beginning of year	\$ 24	\$ 1,159	\$ 3,255	\$ 1,745	\$ 6,183	\$ 3,298	\$ 3,154	\$ 12,635	
CSM recognized for services provided	(5)	(103)	(286)	(178)	(572)	(408)	(151)	(1,131)	
Contracts initially recognized in the year	—	36	371	251	658	170	119	947	
Changes in estimates that adjust the CSM	31	(431)	79	477	156	197	113	466	
Net finance (income) expenses from insurance contracts	1	29	79	47	156	(17)	—	139	
Effect of movement in exchange rates	4	—	166	94	264	28	20	312	
CSM, end of year	\$ 55	\$ 690	\$ 3,664	\$ 2,436	\$ 6,845	\$ 3,268	\$ 3,255	\$ 13,368	

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

Independent Auditor's Report

To the Shareholders of Great-West Lifeco Inc.

Opinion

We have audited the consolidated financial statements of Great-West Lifeco Inc. (the "Company"), which comprise the consolidated balance sheets as at December 31, 2025 and 2024, and the consolidated statements of earnings, comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2025 and 2024, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").

Basis for Opinion

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

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the year ended December 31, 2025. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

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

Key Audit Matter Description

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

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

How the Key Audit Matter Was Addressed in the Audit

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

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

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis.
- The information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the IASB, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is David Jordan Oakley.

Deloitte LLP

Chartered Professional Accountants
February 11, 2026
Winnipeg, Manitoba

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